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**CENTER FOR PRIVATIZATION**

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**PRIVATIZATION SURVEY FOR DEVELOPING COUNTRIES**

*Prepared for the*

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT  
BUREAU FOR PRIVATE ENTERPRISE**

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*Center for Privatization*

**PRIVATIZATION SURVEY FOR DEVELOPING COUNTRIES**

*June 1989*

This Privatization Survey has been prepared to give a brief overview of reported privatization activity in developing countries of the world. The Center for Privatization (CFP) endeavors to update this information periodically; however, we take no responsibility for its accuracy or completeness. The data have been taken from various sources, including press reports, foreign government officials, US Government cables, documents of the US Agency for International Development, and other multilateral/bilateral donors, as well as our own project files. Individuals should independently verify the information. Any updates or suggestions would be most welcome.

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## INTRODUCTION

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CFP's Privatization Survey is meant to illustrate the scope of privatization of state-owned enterprises (SOEs) in the developing world, with a special emphasis on the activities of CFP and the US Agency for International Development (USAID).

The nature of privatization precludes easy collection or quantification. The concept of privatization varies from country to country, as do the policy and economic regimes in which it takes place. Information is difficult to verify and sometimes conflicts with other sources. For the purposes of this survey, a completed privatization (in the case of divestiture) is defined as a government moving from a majority shareholding to a minority share in an enterprise.

The significance of a given privatization is also difficult to quantify. A transaction involving relatively few assets in one country could possibly reflect policy changes that will have a more lasting impact on future economic development than a more extensive program of privatization might in another. This paper attempts to put the progress made in each country in perspective given these restrictions.

In addition to CFP's own project files, the principal primary sources used in this survey were USAID Annual Budget Submissions (ABS) prepared by USAID missions and the USAID Congressional Presentation (CP) for fiscal years 1988-1990. The ABSs for various years were consulted, including most for fiscal year 1990. USAID cable traffic was also used.

Researchers interested in further information on privatization in developing countries should consult the following sources. They have also been extensively used in the preparation of this survey:

Berg, Elliot, and Mary M. Shirley. 1987. Divestiture in Developing Countries. World Bank Discussion Paper 11. Washington, DC.

Hanke, Steve, ed. Privatization and Development. San Francisco: Institute for Contemporary Studies Press for the International Center for Economic Growth, 1988.

Vuytsteke, Charles, Helen Nankani, and Rebecca Candoy-Sekse. 1988. Techniques of Privatization of State-Owned Enterprises. 3 vols. World Bank Technical Papers 88, 89 & 90, Washington, DC, 1988.

Of special note is the work by Vuytsteke, Nankani and Candoy-Sekse above. The third volume's inventory of privatization was particularly helpful in the preparation of this survey, and the assistance of the authors is much appreciated.

CFP's Privatization Survey was researched and edited by John Chazal, Michael Field and Baljit Vohra.

## **SURVEY FORMAT**

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### **Country Name**

A country overview gives general information on privatization in the country.

### **CFP contributions**

A brief description of CFP's contribution to privatization in the country.

The following section gives more detailed information on individual privatization transactions. It also includes state-owned enterprises for which substantial progress toward divestiture has been made and other significant activity. "CFP" in the left margin indicates the involvement of the Center for Privatization in the privatization of this enterprise. Each record is classified under the headings below, followed by additional information, as available, under the Note heading.

**Sector** - economic sector (agriculture, manufacturing, services, telecommunications, etc.)

**Type of enterprise** - brief description of goods or services produced

**Activity** - type of privatization activity, including:

PRIVATE SALE	-Sale to private investors, usually through auction and/or direct negotiation
PUB. SHARE OFFERING	-public share offering: offering of shares in an open market, often subject to certain restrictions
SALE	-type of sale undifferentiated or unknown
MANAGEMENT CONTRACT	-contract awarded to a private entity to manage an existing state-owned enterprise (SOE)
LEASE	-contracting use or occupation of a property for a specified period in exchange for rent
LIQUIDATION	-to abolish an SOE or convert its assets into cash
MGMT/EMPLOYEE BUYOUT	-sale or transfer of assets to management or employees
PRIVATIZATION PLAN/STUDY	-study or plan developed for privatization
RESTRUCTURING	-to alter an existing system under the government control to enhance private sector involvement.
COMMERCIALIZATION	-restructuring of an enterprise made to allow for more market-based management (e.g., transfer of a government agency to a corporate entity with government as owner; break-up of a government monopoly, etc.)

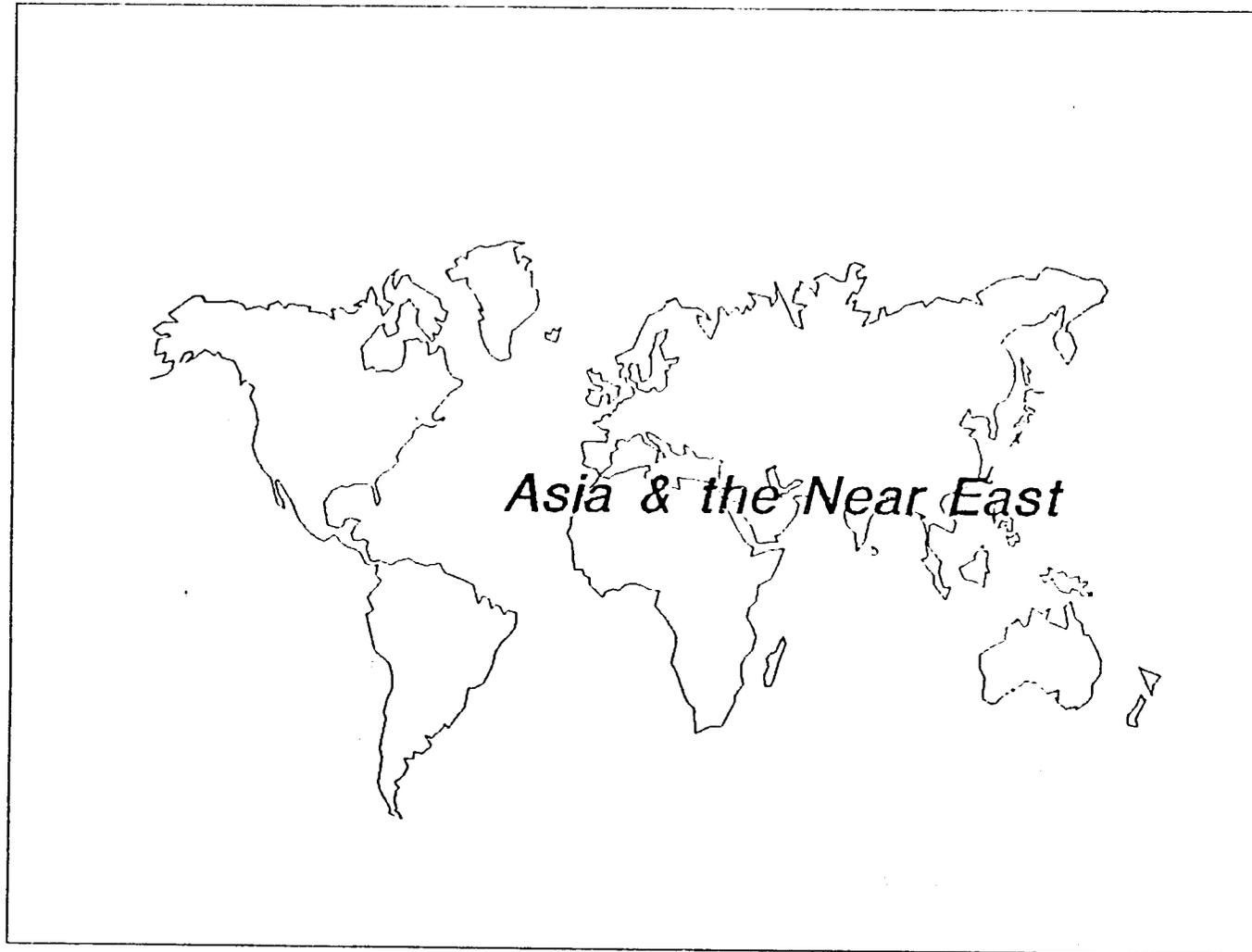
**Notes** - includes other information relevant to the privatization of the enterprise.

## **ABBREVIATIONS USED**

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ABS	- Annual Budget Submissions (USAID mission document)
CDSS	- Country Development Strategy Statement (USAID mission document)
CFP	- Center for Privatization
CP	- USAID's Congressional Presentation (annual)
DSTBN	- distribution
FY	- fiscal year
GDP	- gross domestic product
GOVT	- government
GO	- Government of ____ (e.g., Government of Kenya - GOK)
IBRD	- World Bank (International Bank for Reconstruction & Development)
IFC	- International Finance Corporation
IMF	- International Monetary Fund
MDB	- multilateral development bank
MGMT/MGT	- management
PRE	- Private Enterprise Bureau (USAID)
PUB	- public
PVT	- private
SADCC	- Southern Africa Development Coordination Conference
SOE	- state-owned enterprise
TELECOM	- telecommunications; telecommunications entity
USAID	- United State Agency for International Development
MFG	- Manufacturing
VO	- Vocational
TECH	- Technical
EMP	- Employee
HOUSEKPNG	- Housekeeping
HOSP	- Hospital
ESOP	- Employee Stock Ownership Plan

# PRIVATIZATION TRACKING SURVEY



Center for Privatization

# PRIVATIZATION SURVEY FOR ASIA & THE NEAR EAST

## BANGLADESH

The government has undertaken one of the largest privatization programs in the developing world. It has divested a total of 1,076 SOEs including 609 in the industrial sector. A majority of these have been bids from private sector entrepreneurs or by negotiated return of enterprises to former owners after a period of nationalization.(1) Most of these divestitures took place between 1976-1984, with 33 jute and 27 textile mills returned to former Bangladeshi owners in 1982 alone.(2) The public sector now comprises 15 financial and 35 non-financial enterprises that themselves comprise 4500 administrative units. Public enterprises are defined as sector corporations, and under each of these there might be several units or enterprises.(1) Due to the speed and sweeping nature of the initial phases of the program, it has not been possible to quantify the extent to which privatization has benefitted the economy. The low level of managerial skill and poor record keeping have compounded the problem. Many government officials have argued that there is a need to promote public confidence which had been dampened in the earlier divestiture process. The government has therefore decided to proceed slowly with the task of restructuring the equity base of SOEs and has undertaken extensive rehabilitation of the same.(3) 49% shares of most SOEs are being sold to private buyers as part of a gradual privatization process adopted by the government. 15% of these have been reserved for workers/employees of the concerned enterprises.(4)

### CFF Contributions

CFF carried out an extensive privatization study pertaining to factors that influenced the government's shift in policy to privatization, the recent changes to the government's industrial policy and the performance of private and public sectors. The study also made an evaluation of future privatization opportunities in Bangladesh and provided a set of recommendations for improving the privatization process.(1) The Center carried out a fertilizer import privatization study in November 1988. The team determined that private sector imports are clearly consistent with the Government's overall privatization policy. The team also identified 20 firms that have shown interest in importing fertilizers and seem to have capability to handle major bulk procurement on international market. The report is at present being reviewed by the Government.(5)

Sector -----	Type of enterprise -----	Activity -----	Notes -----
---Completed privatizations---			
AGRICULTURE	SUGAR AND FOOD	PRIVATE SALE	30 enterprises under the Bangladesh Sugar & Food Industries Corp. comprising 6 tobacco plants, 5 cold storage facilities, 4 sugar plants, 8 oil mills and 7 others were sold for US\$ 11.5 million to private buyers.(6)

## Center For Privatization

## Privatization Survey for Asia &amp; the Near East

MANUFACTURING	CHEMICALS	PRIVATE SALE	50 enterprises under the Bangladesh Chemical Industries Corp. comprising 25 tanneries, 5 rubber plants, 7 match manufacturing companies, 5 paper works and 8 others were sold to prospective buyers through open tenders. The total divestiture amount was worth US\$ 14.4 million.(6)
MANUFACTURING	JUTE MILLS	PRIVATE SALE	4 jute mills under the Bangladesh Jute Mills Corp were sold to private buyers for a total value of US\$ 2.2 million.(6)
MANUFACTURING	TANNERIES	PRIVATE SALE	30 Tanneries, an oil mill and a publication under the Freedom Fighters Welfare Trust were sold to private buyers. Sale value: US\$ 0.74 million.(6)
MANUFACTURING	TEXTILES	PRIVATE SALE	2 Textile mills and a thread mill under the Bangladesh Textile Mills Corp were sold for US\$ 0.43 million.(6)
MANUFACTURING	MISC.	PRIVATE SALE	A total of 250 enterprises under the Director General Industries were sold for US\$ 4 million. These enterprises included printing presses, oil mills, hosiery producers, iron & steel units, & textile plants.(6)
MANUFACTURING	IRON & STEEL	PUB. SHARES	The govt reduced its shareholding in 9 iron and steel companies under the Bangladesh Steel & Engineering Corporation. Its stake in these companies now ranges from 30-47%. Total divestiture amount in these companies is US\$ 0.5 million.(6)
MANUFACTURING	SUGAR AND FOOD	PUB. SHARES	18 companies under the Bangladesh Sugar & Food Industries Corp. comprising oil companies, fisheries, paper mills and glassworks, etc., were restructured with the govt's majority shareholding reduced to equity now ranging from 11 to 40%. The total divestiture amount for the 13 companies is US\$ 5.8 million.(6)
MANUFACTURING	MISC.	PUB. SHARES	The govt has retained a minority shareholding in 15 engineering companies under the Director General Industries. The total divestiture amount is US\$ 0.2 million.(6)
MANUFACTURING	MISC.	PRIVATE SALE	47 companies comprising rice mills, ice factories, pharmaceutical, etc., owned by Pakistanis prior to Independence in 1971 were sold to private buyers by the govt for US\$ 1.4 million.(6)
MANUFACTURING	MACHINE TOOLS	MGT. CONTRACT	The govt has awarded a management contract to FABRIQUE NATIONALE HERSTAL SA (Belgium) to run the operations of the

CFP>AGRICULTURE FERTILIZERS

PRIVATIZATION PLAN The Govt, with USAID assistance, has succeeded in partially privatizing the Bangladesh Agricultural Development Corporation (BADC) through the Fertilizer Distribution Improvement project. A new marketing system was established, ending govt control of fertilizer retail prices, and private dealers are now allowed to import fertilizer components directly without going through the BADC. Further, the Govt has recently granted permission to private sector fertilizer distributors to lift urea fertilizer directly from the Ghorasal factory at the same price as sold to the BADC. This action represents a major breakthrough in increasing market competition, involving both BADC and private dealers.(8) Considerations are also being given to the privatization of fertilizer production. USAID had sought the assistance of CFP in carrying these efforts.(4) A study carried out by Center consultants is at present being reviewed.

MANUFACTURING MISC.

PRIVATIZATION PLAN The govt has shareholdings in PHILIPS, PFIZER, GEC & BANGLADESH TOBACCO ranging from 35 to 40%. It has drawn up plans to reduce its equity by 10 to 20% in each of them.(7)

SERVICES AIRLINES

PRIVATIZATION PLAN The govt has actively considered selling up to 49% shares of its national airline, Bangladesh Biman (net revenues in 1984 - US\$ 1.3 million), to private investors.(7)

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Sources:

1. CFP Project # 7200-25 & 7200-40.
2. Bangladesh Experience (Pvtzn Paper, CFP Seminar June 27, 1988), Afzalur Rehman.
3. Privatization Transaction & Its Long Term Effects, Klaus Lorch, Harvard University, April 1988.
4. AID ABS FY 1990.
5. CFP Staff reports, Dec 28, 1988.
6. CFP Project # 7200-25 & 7200-40.
7. Vuylsteke, et. al., 1988.
8. CFP staff reports, March 24, 1989.

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EGYPT

Public sector investment makes for 3/4 of total investment spending in Egypt. The public sector includes the Central govt, local govt, and nonfinancial public enterprises (NPEs). Based on IBRD & IMF analyses, the NPEs encompass at least 46 economic authorities and 372 companies in every economic sector.(1) They are supervised by perhaps eighteen different ministries with little interministerial coordination. The companies are subject to stifling regulations including the obligation to hire university graduates and military personnel, wage controls, and the inability to transfer, fire or lay off excess labor. (2) Privatization and foreign investment were first initiated by Sadat's open door policy in 1974, by which Egypt was to move away from an economy based on centralized planning, to

expand the role of the private sector, and facilitate foreign entry into the Egyptian market. In the latest five-year plan (1987-1992), the govt plans to demarcate 38.6% of the new industrial investment of a projected US \$20 billion to the private sector compared with 23% of investment in the last five years.(3) The government is developing a program to assist governerates in privatizing governorate-owned projects.(4) There are over 250 such projects operating on a commercial basis, most of them engaged in production of poultry, fish, animal feed, meat and dairy products.(5) & (6)

Inspite of the govt's steps to expand the role of the private sector, the need to give more encouragemnt to private enterprise hasn't been all that enccouraging. Bureaucratic constraints, red tape, lack of investment incentives, pricing problems and a number of other difficulties in a highly centralized system have slowed down govt's efforts. The weakness of capital markets is another impediment to new private sector investment and ultimately to privatization. Trading on Egypt's stock market, where the total volume reached a modest 400 million Epounds in 1987, is still very thin in spite of recent efforts to encourage a revival.(7) Presently, the major prospects for privatization are in the tourism, agriculture and supermarket industries. The government has also shown interest in developing an export insurance program.(8) The tourism industry has made significant progress as the Tourism Ministry has gone ahead and privatized the management of almost all the 18 publicly-owned hotels under its control.(3)

The concept of Employee Share Ownership Plans (ESOPs) is becoming popular in Egypt and has the potential to play a significant role in the privatization of SOEs. The transfer of ownership to a large group of employees is an especially attractive option for the government which faces cposition from the public sector labor force. As many as 20 companies have already requested the formation of employee ownership plans.(9)

**CFP Contributions**

In December 1986, CFP was contracted to assist the GOE in planning a symposium on privatization, and later, assistance in the Partnership in Development project. USAID's Agriculture Marketing and Improvement Strategies project proposes assistance with policy changes to divest the agricultural input distribution system from the Principal Bank for Development and Agriculture Credit (PBDAC), and the development of multiple channels for distribution. The PBDAC five-month study was completed in April 1989 and the report is under the review of PBDAC. (10) The Center is also assisting the GOE through the establishment of a new private venture with the public sector firm, The Transport & Engineering Company (TRENCO). This venture, to manufacture radial truck tires, represents the first attempt at enabling employee participation using an ESOP. (see below for details)

Sector	Type of enterprise	Activity	Notes
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---Completed privatizations---			
SERVICES	HOTEL	MGT. CONTRACT	Both the NEW and the OLD CATARACT HOTELS were privatized through management contract with the ETAP/Wagonslit, now a division of the international hotel chain Pullman.
SERVICES	HOTEL	MGT. CONTRACT	KALABASHA HOTEL in Aswan was privatized through management lease awarded to ETAP/Wagonslit.
SERVICES	HOTEL	MGT. CONTRACT	PALESTINE HOTEL in Alexandria and the SHEPEARD in Cairo were leased to a Scandinavian company. The significant factor regarding this management agreement is that managers are responsible for the renovation of the facilities.

SERVICES	HOTEL	MGT. CONTRACT	CECIL HOTEL signed a management lease with the ETAP/Wagonslit.
---Other reports of privatization activity---			
CFP>MFG.	TIRE PRODUCTION	ESOP	The project underway, involves the creation of a pilot plant, to be called the Alexandria Tire Company (ATC). The company will be a joint venture established between the parent state-owned company, TRENCO, an Italian tire manufacturer, Pirelli, and various Egyptian Banks and insurance companies. 30.5% of the shares of the new joint venture company will belong to the employees using an ESOP. The purchase of these shares will be financed by a Egpound 42.1 million loan from the USAID. The Center is assisting the GOE in the overall privatization effort. This project is of special significance, as it represents the pilot project for a broader privatization strategy on part of the GOE. The aim of the govt is to create a substantial employee-ownership sector in the economy.(9)
SERVICES	HOTEL	MGT. CONTRACT	The Ministry of Tourism (MOT) has privatized the management of almost all the 18 publicly owned hotels under its control. As part of these management agreements, local and foreign investors have undertaken to commit substantial funds to refurbishing these decrepit hotels.
SERVICES	AIRLINES	MGT. CONTRACT	MOT has put forward to the govt a plan to revamp the management structure of EgyptAir. It has been proposed that the board of directors be separated from the day-to-day running of the airline and that more scope be given to professional managers. The plan also calls for the removal of the airline from rigid govt controls so that it could make its own investment decisions from its own resources and not be dependent on the central budget. Like most other entities, EgyptAir suffers from a critical lack of funds for new investment.(11)
SERVICES	HOTEL	PRIVATE SALE	Negotiations are underway for the sale of the Palestine Hotel in Cairo.

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Sources:

1. Egypt: Partnership Development Project (# 263-0210).
2. El Naggar, "Prospects and Problems of Privatization: The Case of Egypt"
3. Financial Times, June 27, 1988.
4. CFP Project 7200-035.
5. R.E. Maghoub, "Privatization and Development: The Egyptian Perspective", April 1988.
6. CFP Project 7200-035.
7. Notes from CFP Seminar, 6/27/88 - 7/8/88.

8. "Business Monthly", American Chamber of Commerce (AMCHAM), Cairo, December 1987.
  9. "Business Monthly", American Chamber Of Commerce (AMCHAM), Cairo, February, 28, 1989.
  10. CFP Staff Report 8/11/88 6/14/89.
  11. Financial Times, June 27, 1988.
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## FIJI

In February 1987, a privatization conference was hosted by USAID/RDO/SP with the assistance of CFP in Suva, Fiji. The conference emphasized the "how-to" aspects of privatization and showed how private enterprise can help Pacific Island Nations generate growth and progress.(1) The conference also covered the technical aspects of privatization, including methods and techniques, financing arrangements, costs and benefits, and the development of a privatization strategy.(2) Fiji's Ninth Development Plan (1986-1990) emphasizes the equitable distribution of growth with a heavy reliance on the private sector.(3) Increasing interest has been shown in privatization of medical services. (4) The government has already endorsed the concept of privatization, yet continuing political and economic uncertainty have delayed its implementation. USAID/Mission continues its joint-venture and privatization dialogue with the government.(5)

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### Sources:

1. ABS FY 1990; Summary of Conference Proceedings, Fiji, 2/2-6/87.
  2. Press Release # 1, 12/7/86; Summary of Conference Proceedings, Fiji, 2/2-6/87.
  3. CP FY 1990.
  4. U.S. Embassy Cable (Suva 03497, 8/20/86).
  5. ABS FY 1990.
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## INDIA

The government has declared its need for a stronger and a better public sector. The government encourages foreign collaboration involving the transfer of technology in certain industries.(1) The new Industrial Policy assigns a more responsible role to the private sector. The private sector is now able to operate in areas previously closed to them such as telecommunications, equipment, petro-chemicals, power generation and infrastructure. Joint ventures are welcome, with a maximum of 49% to be held by Central/State governments. The government has furthermore opened power generation and the manufacture of telecommunications equipment to private sector investment.

Economic liberalization is likely to be given a firm push if Prime Minister Gandhi is returned to power in 1990. There is talk of cutting central government subsidies, easing the 40% ceiling on foreigners' equity holdings in Indian companies, allowing Indian companies to raise equity capital abroad, revising the monopoly regulations that restrict the growth of the larger companies in the private sector and raising funds through the partial privatization of the more viable private sector companies. The Planning Commission of India, in the final stages of drafting the outlines of the Eighth Five Year Plan (1990-1995) is counting on a big boost to resources from selling up to 25% of public sector companies. This is likely to raise up to Rs120 billion in revenues for the govt. However, the pace of privatization and the change in the economy will clearly depend on the size of Gandhi's majority - if he wins the elections. (2) Divestiture of public sector units has been under serious consideration; one of these involves the proposed sale of state-owned motor scooter units to private manufacturers. Negotiations for the same are now in the final stage. The general trend toward opening up sections of the economy previously closed to private sector participation continues.

USAID pursues the implementation of technology development projects, especially in telecommunications. The Mission's approach is to strengthen the capacity of the private sector to carry out R&D to become more competitive and to expand into areas previously dominated by the public sector.(3)

CFP's technical assistance was requested by the Mission to identify possible innovations in the delivery of urban services in the city of Bangalore.(4)

Sector	Type of enterprise	Activity	Notes
---Specific reports of privatization activity---			
MISC.	ROADS & STEEL	PRIVATIZATION PLAN	<p>India ranks fourth in the world in terms of total road length. Road development industry has always been exclusively the responsibility of the govt. However, lack of funds and accessible resources has led to poor maintenance of these roads. Consequently, the govt has invited the participation of both foreign and domestic private firms in the road development industry. Many Indian private sector units have already started discussions with the govt and various foreign firms have shown interest in this field. Among the privatizations under consideration:</p> <ul style="list-style-type: none"> <li>- equity participation by NIPPON STEEL in the INDIAN IRON AND STEEL CORPORATION.</li> <li>- foreign equity participation in several other public sector industries.</li> </ul>
---Other reports of privatization activity---			
ELECTRONICS	TV TUBES	PRIVATIZATION PLAN	<p>The govt has plans to privatize a profitable part of the public sector Bharat Electronics Company (BEL) and form a new company in partnership with an American &amp; an Indian company. Under a memorandum signed by the three companies, BEL will hand over its Rs600m (\$39.2m) television tube plant to a joint venture company to be formed with Corning Glassworks and Samtel India of New Delhi. 40% of the company's shares will be held by Corning Glassworks &amp; 40% by Samtel India, whereas BEL will retain 20%.(7)</p>

Sources:

1. Economic News, Embassy of India, May 1986.
2. Financial Times, 7/22/88 & 6/7/89.
3. ABS FY 1990.
4. CFP Project #7200-020.
5. CFP Project 74; U.S. Embassy Cable (New Delhi 25662, 10/21/87).
6. ABS FY 1990.
7. Financial Times, November 4, 1986.

## INDONESIA

Even though privatization is controversial, the government has begun to show some interest in the privatization of a few money-losing SOEs. A sharp decrease in oil prices and a rapid increase in the operating costs of public sector firms have caused the government to consider privatization as a valid strategy to decrease the deficits. However, privatization for government officials signifies "the improvement of the efficiency of public assets" rather than transfer of ownership.(1) Indonesia has 215 SOEs with combined total assets of more than \$68 billion that account for about 80% of the country's economic activity. These SOEs occupy every industrial niche, including oil and gas, utilities, plantations, mining, manufacturing, textiles, construction and banking. The majority of these enterprises operate at a loss.

The government has announced that it may convert to private ownership to "weed out" only those which operate at loss. These enterprises are available to investors with the skill and money to take them over. The government has also removed certain banking regulations and customs duties. Strategic industries referred to as the "agents of development" (e.g., the railway), are to remain in the public sector. The government relies heavily on its firms; the state banks control 77% of the financial sector. One impediment to privatization is the ill-equipped stock exchange. There are only 24 companies listed, the combined market value of which is only \$120 million, or 1% of Indonesia's annual economic output. Eighteen of these companies are foreign joint ventures, three originally were Dutch companies now listed as Indonesian firms, and only three are truly domestic Indonesian companies.(2)

According to latest reports, officials of the Co-ordinating Ministry of Economics & Industry have completed working on a decree that is likely to become the enabling legislation authorizing liquidation, divestiture and restructuring of SOEs in Indonesia. The same is being reviewed by the govt and is likely to be passed soon.(3)

USAID/Mission has opened a dialogue with the government on the benefits of privatization of the SOEs. The long-term goal is to help the government improve the efficiency of the public services by contracting out services to the private sector, increasing its response to the market and transferring ownership if appropriate.(4)

### CFP Contributions

CFP met with government officials in December 1986 to discuss divestiture of SOEs and the provision of technical assistance to facilitate privatization.(5) A CFP consultant presented a paper on privatization at the Bali Conference in October 1988.(6)

Two senior officials from the Ministry of Economics & Industry attended the Center's Privatization Strategies & Techniques for Development Seminar at Washington D.C. in March 1989. They reviewed with Center staff the content and timing of a draft decree and procedures for implementing a deregulation fund.(3)

Sector	Type of enterprise	Activity	Notes
---Completed privatizations---			
MANUFACTURING	CAR ASSEMBLY	PUB. SHARES	The govt has reduced its shareholding in PT Gaya Motor from 100% to 24%. 76% shares are now held by a private firm, The Astra Group.(8)
SERVICES	FOOD & BEVERAGES	PUB. SHARES	PT Kimia Farma, a state-owned firm has reduced its shareholding in PT Sari Husada from 55% to 43.5%. 35.6% of the shares are held by PT Tigaraska, a private company and 20.9% by the general public.(8)
MANUFACTURING	PRINTING	PRIVATE SALE	PT Gita Karya, a state-owned company has sold its 49% shares in PT

MANUFACTURING	ENGINEERING	PRIVATE SALE	Dainippon Indonesia to PT Tumbak Mas, a private company. The other 51% shares are held by a Japanese company, Dainippon Printing Co.(8)
MANUFACTURING	ENGINEERING	PRIVATE SALE	Perum Otorita Jatiluhur, a state owned enterprise, sold its 50% stake in PT Indonesia Engineering Jatiluhur to PT Bumi Akar Rezeki, a private company. 50% of the shares are held by a Malaysian company, Promet Berhad Malaysia.(8)
MANUFACTURING	PAPER MILL	PRIVATE SALE	PT Golden Martapura bought over the state paper project which was previously under the govt's ownership.
MANUFACTURING	STEEL	CAP. RESTRUCT.	The Steel component of PT KRAKATAU STEEL was spun-off as a separate activity.
SERVICES	TELECOMMUNICATIONS	LEASE	The govt signed a lease agreement with the American International Telephone and Telegraph Corporation. No further information available.
---Other reports of privatization activity--- [7]			
EXTRACTION	MINING	LEASE	During the period 1968-1971, the govt signed several lease contracts with various Canadian, Australian, British and American companies to assist in mining operations. Details for the same are unavailable.
SERVICES	AIRLINE	PRIVATIZATION PLAN	The govt has announced the partial divestiture of GARUDA AIRLINES. However, work on the same is likely to commence soon after the promulgation of the privatization decree.
SERVICES	SHIPPING COMPANY	PRIVATIZATION PLAN	PT DJAKARTA LLOYD is being considered for a partial sale by the govt. No further information available.

Sources:

1. ABS FY 1988 and Dept. of State Cable (State 07264, 5/1/88).
2. Bangkok Post 6/22/87, and Asia Week 3/1/87.
3. CFP Staff Report, 3/10/89.
4. ABS FY 1988.
5. CFP Staff Report, 8/18/88.
6. Dept. of State Cable (State 212854, 7/1/88); CFP Staff Report, 8/18/88.
7. Vuyisteke, et. al., 1988.
8. Business Indonesia, 1987.

**JORDAN**

Privatization has played an important role in the government's five year plan for 1986-1990 which relies heavily on private sector participation in economic development. The interest towards privatization is also due in part to the realization of the drain which SOEs have placed on the budget(1). As part of its privatization strategy, the government in 1986, decided to gradually convert selected public enterprises into public shareholding companies with the public owning all the shares. Four enterprises were initially selected for the privatization process: the Telecommunication Corporation (TCC), Amman Public Transport Corporation (PTC), the Royal Jordan Airlines (ALIA) and the Amman Development Corporation (ADC)(2).

However, the momentum to privatize in Jordan has been halted, at least temporarily. GOJ's current strategy is to commercialize public entities over a period of years prior to considering the sales of shares to the public. The reason cited for such a move being the concept of privatization is not well understood by the business community or the public in general.(9)

**CFP Contributions**

CFP undertook a reconnaissance study to provide a general overview of the prospects for privatization in Jordan and evaluate entities identified by the government for privatization. The study focused on ALIA and PTC and it assessed the problems and legal impediments, and proposed a strategy for proceeding with their privatization.(1) CFP later undertook an in-depth study of the operation of PTC. In addition to the recommendations, CFP also suggested improvements for the entire public transportation in the Amman area.(2) The recommendations submitted to the government were well received and partly implemented in August 1987. The operations of PTC in 1987 improved slightly over performance in 1986, due to partial acceptance of operational improvements recommended by CFP (3).

CFP carried out a detailed technical review of ALIA's operations, including evaluation of the airline's assets, financial needs, relative efficiency and market plans, and developed a privatization plan highlighting the necessary steps for successful privatization of the airline.(4 & 5; see below for plan details).

CFP, in response to a request from the government through USAID/Amman, developed a plan that included a scope of work to identify specific tasks to be performed for the privatization of TCC.(6) Subsequent to the CFP study, the World Bank carried out a study and suggested commercialization of the TCC. The government's acceptance of the World Bank's proposal would entitle it to a Bank loan of US\$ 36 million at standard terms. The government decided to commercialize TCC.(see below for details).(7)

CFP examined the feasibility of privatizing ADC. The analysis included evaluation of the current performance of ADC, its future business prospects and prevailing financial condition. An implementation plan for all recommended actions to be taken for privatization was submitted to the government. As of September 1988 the study is under review.(8)

The Center was also called upon to examine the privatization prospects for the Jordan Electricity Authority in April 1989. The report on the same has been passed on to JEA for its review and comments.(10)

Sector	Type of enterprise	Activity	Notes
---Specific reports of privatization activity---			
CFP>CONSTRUCTION REAL ESTATE DEVELOPMENT		PRIVATIZATION PLAN	Recommendations made by CFP for the privatization of the Amman Development Corporation (ADC) are being studied by the govt. ADC's

candidacy for privatization is quite viable and will require very little technical assistance or re-organization.(8)

CFP>SERVICES ROAD TRANSPORTATION

PRIVATIZATION PLAN The Ministry Of Transport decided to privatize The Public Transport Corporation (PTC) in early 1986. Services of CFP were engaged to develop a plan for PTC's privatization. Recommendations made by CFP have been partially implemented. Further recommendations, such as restructure of current routes to offer an attractive package for private operators and setting up a new transit authority to regulate PTC and private operators are yet to be carried out.(2) The Prime Minister's office has drafted a new law to enable PTC to become a public shareholding company. Approval by the Cabinet is awaited.(3)

CFP>SERVICES AIRLINES

PRIVATIZATION PLAN The govt is considering the initial sale of approximately 10% of the ALIA's stock to the public as well as a private placement of another 10 to 15% stock through local banks. Also, 5% to 10% of the shares are reserved for an ESOP. An independent valuation of the company's assets has already been carried out. The govt has also developed long-term strategic plans and financial projections deemed necessary for review by banks. An investment bank is to prepare a prospectus and marketing plan for a public stock offering.(5)

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Sources:

1. CFP Project Report # 7200-017.
2. CFP Project Report # 7200-032.
3. AID FY 1990.
4. CFP Project Report # 7200-051 & ABS FY 1990.
5. Amman # 07205, June 14, 1988.
6. CFP Project Report # 7200-062.
7. World Bank Staff Appraisal Report # 7216-JD.
8. CFP Report # 7221-001 & ABS FY 1990.
9. CFP Project Report # 7236-117.
10. CFP Staff Report, 10/16/89.

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## KIRIBATI

Under British colonial administration (1892-1979), the economy was dominated by government monopolies together with officially sanctioned private sector oligopolies. The majority of the economic activities of Kiribati were controlled by the British Phosphate Commission. In 1979, when exports of phosphate stopped due to depletion, the British left Kiribati, leaving many commercial enterprises in the hands of the government.(1) Many of the nonagricultural sectors of the economy, such as natural (marine) resources, transport and communication, tourism and certain government support services, have been identified by the government as possible targets for privatization.(2)

**CFP Contributions**

In 1987, Kiribati requested the services of CFP consultants to develop a national privatization policy and an on-site evaluation of privatization potential for SOEs. The government of Kiribati is currently reviewing this project. This request took place as a result of an ongoing dialogue between USAID/Suva and government in response to the privatization conference in February 1987. CFP consultants identified government activities that could be privatized and proposed terms of reference on ways government could divest its activities.(3)

Sector	Type of enterprise	Activity	Notes
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---Specific reports of privatization activity---			
MISC.	NON-AGRICULTURAL INDUSTRIES	PRIVATIZATION PLAN	The USAID mission has identified 18 firms, in the non-agricultural sector (Total annual turnover: Aust.\$ 20 million) for privatization study. The principal ones being: Among these are: Shipping Corporation of Kiribati Govt Plant and Vehicle Unit Govt Supply Division Ahamakoru Trading, Ltd. Public Utilities Board ATOLL Motor and Marine Services, Ltd. OTINTAAL Hotel, Ltd. Kiribati Insurance Corporation Govt Philatelic Bureau Public Works Department Govt Printery

**Sources:**

1. U.S. Embassy Cable (Suva 00985, 3/3/87).
2. U.S. Embassy Cable (Suva 03518, 7/20/87); ABS FY 1990.
3. CFP Project #57.

**LIBYA**

The head of government, Col. Gadaffi, announced the adoption of a new economic reform, under which many traditional government organizations will be abolished. Gadaffi called for the elimination of all government export and import institutions, through which the government severely restricted private trading activities. The sweeping reforms are being implemented to relieve shortages of many consumer goods and to give a boost to the depressed agriculture sector. Gadaffi also announced certain privatization measures for small and medium-sized industries which are now under government control.(1)

**Sources:**

1. Financial Times 9/6/88.

## MALAYSIA

Privatization in Malaysia represents a new approach to the development of the economy. The present government has played an active role in the privatization process and has made it evident that it expects quick action on divestment from its agencies.(1) A Committee on Privatization under the Chairmanship of the Director General of the Economic Planning Unit (EPU), established in 1985, is responsible for the implementation of privatization. Guidelines on the privatization process were published, the purpose of which was to inform government agencies and private sector about privatization policy, including assistance in the submission of proposals.(2) The government's selling plans included telecommunications, hotels, car parks, water supplies and leasing of parts of road network.

Malaysia's program of selling of huge chunks of state assets, regarded as one of the most extensive of its kind in the developing world, hasn't progressed much since 1985. So far only 13 projects have been privatized, including the much publicized flotation of the Malaysian International Shipping Corporation and the partial privatization of the Malaysian Airlines System.(3) The govt has about 900 companies, the majority of which can be divested to the private sector. These companies are spread across all the sectors of the economy. They are export and domestic oriented and comprise both profitable and losing companies. The government has been offering to sell, at a discount, companies that lose money. More than 70 loss makers have been on offer, and another 60 financially weak companies are being evaluated to see whether they could be sold off, revamped or closed down.(4)

To speed up privatization efforts, the govt started formulating a master plan on privatization in June 1988. The M\$2.4 million study, funded in part, (190,000 pounds) by the British govt, was carried out by an international consortium of bankers, lawyers and accountants. The consortium, mandated in June 1988, was led by J Henry Schroder Wagg and comprised merchant bankers Arab Malaysian Bank, American consultants Arthur D Little and the local accounting and audit firm HRM Sdn Bhd. The study recently completed, lays down a broad policy framework and guidelines for implementation and a reformed administrative structure for the privatization process. An action plan, including a survey of the full range of public sector activities and enterprises etc has also been drawn by the consortium. The report is now being reviewed by the govt.(4)

Sector -----	Type of enterprise -----	Activity -----	Notes -----
---Completed privatizations---			
SERVICES	SHIPPING	PVT SALE/LEASE	51% of the shares of the Klang Port Container Terminal (total sale value-M \$700 million) were sold to Konnas Terminal Kelang (KTK) in July 1985. KTK is jointly owned by Kontena Nasional (80%), a local company and P&O Australia (20%). P&O Australia also holds a five year management contract for KCT and one-year extended management contract for the Pasir Godong Port in Johore.(5)
SERVICES	SHIPPING	PUB. SHARES	The Malaysian International Shipping Corporation (MISC), with total assets of M\$3.2 billion, was privatized through a public share offering in Dec. 1986, reducing the govt share from 60.8% to 48.6%.(5)
SERVICES	ROAD CONSTRUCTION	MGT. CONTRACT	United Engineers Malaysia (UEM) was in January 1987 awarded the largest contract to date (total value: US\$1.3 billion) to build and operate 504 kilometers of the peninsula's 900 kilometer-long north-south highway. UEM has a concession to collect tolls on its portions of the highway for 25 years, following which ownership of the road will be transferred to the govt. This contract represents a very large step forward in the govt's privatization policy for the road system.(6)

SERVICES	HOSPITAL	PRIVATE SALE	The General Hospital, a govt owned entity, was sold in 1985 to a consortium of private doctors in the Kuala Lumpur area.(3)
SERVICES	ROAD CONSTRUCTION	MGT. CONTRACT	North Klang Straits Bypass, a road connecting Port Klang with the federal highway that runs to Kuala Lumpur, was passed on to private ownership in 1985. Toll charges have been introduced for users and the Bypass is operated, managed and maintained by SHAPADU SDN BHD., a private company.(7)
SERVICES	WATER SUPPLY	MGT. CONTRACT	Construction and operation of the municipal water supply system at Labuan was given to a private investor.(7)
SERVICES	AIRLINES	PUB. SHARES	Malaysian Airlines System (MAS) was first offered for sale through a public share offering in 1985. After the offer of subscription and sale, the govt's shareholding was reduced from 90% to 62%. An analysis of the shareholding as of July 1987 showed the govt's share had further dropped to 42% through subsequent offerings after 1985.(5)
MANUFACTURING	AIRCRAFT MAINTENANCE	PRIVATE SALE	Airod Sdn Bhd, previously state-owned, is now a joint venture between the Aerospace Industry of Malaysia and Lockheed Aircraft Service International.(9)
SERVICES	LOTTERY	PRIVATE SALE	Sports Toto, a govt run lottery, was sold to BMB Enterprise and Makuwasa Securities Sdn Bhd in 1985.(9)
SERVICES	WATER SUPPLY	MGT. CONTRACT	Antah-Biwater is a joint venture between a British firm, Biwater PLC and Antah Holding Sdn Bhd. which is a publicly listed firm that is majority owned and controlled by the Negeri Sembilan Royal Family. This joint venture has been awarded a contract worth M\$1.4 billion that involves 174 rural water supply projects.(9)
---Other reports of privatization activity---			
SERVICES	SHIPPING	PRIVATIZATION PLAN	The Klang Container Terminal (KCT), the govt's first privatized project is to go public in early 1989. KCT is a joint venture between Konnas Terminal Kelang (KTK) and the Klang Port Authority (KPA). KTK which presently holds 51% shares in KCT, is in turn held by Kentena Nasional (80%) and P&O Australia Ltd (20%). After the public share issue, KTK will hold 40% of KCT's equity while the govt's interest will be reduced to 20%.(8)

SERVICES	RAILWAYS	<b>PRIVATIZATION PLAN</b> The govt is prepared to parcel out parts of Keretapi Tanah Melayu's network (Sale price: M \$1 million) to the private sector to begin the privatization of its Railway system. Due to lack of interest from private buyers, developments on this front have been lacking.(7)
TELECOM		<b>PRIVATIZATION PLAN</b> Jabatan Telekom Negara (JTN) with total assets: M \$6.2 billion is to be fully divested to the private sector. The privatization of JTN, which began in 1986, has involved formation of a public limited company to take over JTN's assets with divestiture to the public likely to take place over a five-year period. A transfer of staff, assets and liabilities of JTN to a new public limited company is currently underway. This is to be followed by a release of equitv shares for sale to private investors.(5)

**Sources:**

1. Treasury excerpts 1985.
2. "The Experience of Malaysia", Privatization Policies and Procedures.
3. "Why Malaysia Means Business", Euromoney - February 1985.
4. "Master plan for Sell-off of the Century", Euromoney, August 1988.
5. Vuylsteke, et. al., 1988.
6. "Paving The Future Way", Far Eastern Economic Review, January 1987.
7. Vuylsteke, et. al., 1988.
8. "KCT To Go Public Late Next Year", Times Business, March 1987.
9. Asean Economic Bulletin, March 1989.

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**MOROCCO**

During the period 1985-1987, structural adjustment programs were adopted by the government in order to improve productivity. These programs included the restriction of public sector expenditure, the promotion of private sector growth, the liberalization of financial markets, and export promotion.(1) In April 1988, King Hassan II announced a plan for economic reform via privatization of SOEs. The privatization program is expected to improve the profitability of parastatal enterprises, decrease the financial burden on government, create employee stock ownership plans, eliminate state monopolies while avoiding concentration of private ownership, and promote free competition for private businesses. Certain SOEs which are considered strategic for the public welfare are to remain under the control of the government.

A Special Commission will identify the strategic enterprises, determine which enterprises are to be liquidated and which are to be privatized through sale of government stock. To gain support for privatization, the government intends to inform both the private and the public sectors of every measure undertaken during the privatization process. The Commission will furthermore appoint an independent firm for the evaluation of state-owned assets. The techniques for privatization approved by the government include: sale of assets, management contract, open competition, partial divestiture, and complete divestiture.(2)

USAID is prepared to assist the government in formulating and implementing the privatization plan and will emphasize certain aspects of the institutional framework necessary to support privatization. USAID is also considering a revolving fund to assist in financing acquisitions by private investors.(3)

## CFP Contributions

Moroccan high officials attended the AID Privatization Conference held in Washington D.C., in February 1986.(4) A year later, two CFP consultants were invited to attend a privatization workshop in Rabat.(5) In April 1988, two CFP consultants took part in a colloquium in Morocco on the relationship between the private and the public sectors.(6) A CFP consultant presented a talk at the Casablanca Conference of the Union of Arab Stock Exchange in September 1988.(7)

Sector	Type of enterprise	Activity	Notes
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--Completed privatizations--			
AGRICULTURE	FISHERIES	PRIVATE SALE	Three fisheries, SONAMER, ASMAK and INTERPORT, subsidiaries of the National Fisheries Office (ONP), were privatized through sale to private investors. Furthermore, the boats belonging to the ONP were leased to a Spanish firm; 2 other boats were leased to Moroccan businesses.
AGRICULTURE	SUGAR COMPANIES	PRIVATE SALE	Four sugar companies, BENI MELLAL, NATIONAL SUGAR COMPANY OF BEHT, SUGAR COMPANY OF DOUKKALA and COSUMAR, were privatized through capital participation by private investors and beet producers.
SERVICES	HOTEL	MGT. CONTRACT	The management of several hotels belonging to the Moroccan Tourist Office was turned over to professional Moroccan hoteliers.
SERVICES	CIVIL WORKS	PRIVATE SALE	SOCIETE NOUVELLE DES CONDUITES D'EAU (SNCE) was sold to private investors.
SERVICES	HOTELS	PRIVATE SALE	The GOM has issued international tenders for the sale of two five-star hotels, one in Fez, the other in Marrakech, which are now fully state-owned and consistent money-losers.(9)

## Sources:

1. Special Advertising Section to the Washington Post Magazine, 11/1/87.
2. Le Matin du Sahara, 4/9/88; speech of King Hassan II, Morocco News Summary, 1988; CFP Report # 69, US Embassy Cable (Rabat 03881, 4/19/88).
3. CFP Project # 69; ABS FY 1990
4. USAID/ Morocco Correspondence, 1986.
5. US Embassy Cable (Rabat 02150, 3/5/87).
6. CFP Report # 69 and Report on Colloquium, April 1988

7. CFP Staff, 8/18/88.
8. Vuylsteke, et. al., 1988.
9. U.S. Embassy Cable (Morocco 322355, 4/17/89).

## NEPAL

Nepal created public enterprises in various sectors of the economy as a part of its economic development objectives. Most SOEs succumbed to the pressure to serve social aims (high raw material purchasing price, low finished goods selling prices) rather than to make a profit.(1) The government has realized that state dominance of industry, directly through SOEs and indirectly through successive regulation and bureaucracy, inhibits private investment in medium and large enterprises. Reduction of state ownership and control of the economy through privatization and liberalization of policy is now among the top priorities of the government.(2) Motivated by the need to reduce budget expenditures and strengthen the balance of payments, the government has decided to move towards divestiture of its parastatals.(3)

There are over 48 state-owned enterprises in Nepal, of which 19 are manufacturing units, 9 trading enterprises, 6 financial and insurance companies and 14 are entities engaged in public utilities and other services. Although their share of total GDP is very small, they occupy a significant place in the economy. Total deployment of capital in these enterprises has been Nepalese Rs12 billion and they provide direct employment to about 47 thousand people. The rate of return on the capital deployed has been quite low, hovering around 4%. The govt has identified 10 enterprises that will be fully divested to the private sector through sale of shares (see below). It has also decided to sell 49% shares of 19 other SOEs. The sale of shares for these enterprises will be open to local private individuals and industrialists as well as Nepalese industrialists of Indian origin.

In August 1988, a four-day "High Level Seminar on Privatization" was held in Kathmandu, organized jointly by the Ministry of Finance and the UNDP. It was attended by government officials, SOE Chief Executives and private sector representatives, and was deemed by several government officials to have been successful.(4)

### CFP Contributions

Senior Nepalese officials have actively participated in the CFP-sponsored "Privatization Strategies and Techniques for Development" seminars held in Washington D.C.. The officials found the seminar to be helpful to them in developing a clear understanding of why the government's efforts to facilitate privatization had not shown desired results. The Nepalese govt has expressed interest in the hosting of an in-country seminar, to familiarize government officials and Nepalese businessmen with the modalities of privatization.(5)

Sector -----	Type of enterprise -----	Activity -----	Notes -----
---Specific reports of privatization activity---			
MISC.		PRIVATIZATION PLAN	The govt has identified a list of 10 enterprises that are to be fully divested to the private sector: The Herb Production and Processing Centre Bhrikuti Paper Factory Nepal Metal Company Nepal Orient and Magnetite Nepal Transit and Warehousing Ltd National Construction Company of Nepal Nepal Tea Development Corporation Raghupati Jute Mills Ltd Balaji Textile Factory

Preliminary studies on a few of the above are being carried out to determine the modalities of privatization. The Asian Development Bank (ADB) carried out a study in January 1988 to assess the privatization mode for the Nepal Tea Development Corporation. Recommendations made by ADB are being studied by the govt.(4)  
The government has also decided to initially sell 49% shares of 16 enterprises with the aim to fully divest these later. These include banks, insurance companies, cement companies, textile mills and shoe factories etc.(4)

## Sources:

1. Harries Clichy Patterson, "Privatization In Nepal", October 1987.
2. ABS FY 1990.
3. Lyell Hale Ritchie, "Privatization Prospects in Nepal", Dec 1987.
4. Privatization Questionnaire, CFP Seminar June-July 1988.
5. Cable: U.S. Embassy (Kathmandu, # 06826, 9/5/88)

## OMAN

The government pursues a pro-private sector, market-oriented policy and encourages a favorable investment climate. However, decision-making and approval in terms of privatization continues to be unsystematic and complicated. There are limits to privatization in Oman due to its limited market size. Apart from some risky and capital intensive industries (namely petroleum, copper and cement), there is little to be privatized. The government has insisted on profit-oriented management of SOEs, and has instituted selective privatization with mixed results [see below]. (1) USAID is not involved directly with the government's efforts to encourage privatization, but has concentrated on either capital infrastructure, such as school and dam construction, or technical assistance, such as training, fisheries and health activities.(2)

Sector -----	Type of enterprise -----	Activity -----	Notes -----
---Completed privatizations---			
AGRICULTURE	OMAN FLOUR MILLS	PUB.SHARES	OMAN FLOUR MILLS was privatized through sale of shares to the public.
EXTRACTION	REFINERY	PUB.SHARES	OMAN REFINERY COMPANY was privatized through sale of shares to the public.
MANUFACTURING	CEMENT COMPANY	PUB. SHARES	OMAN CEMENT COMPANY was privatized through sale of shares to the public.
MISC.	MANUFACTURING	PUB. SHARES	A copper manufacturing firm has also been privatized through public

sale of shares. Furthermore, the govt has shown support for private sector's role in the fisheries, where the output marketing of fish was successfully privatized by the Ministry of Agriculture and Fisheries.(3)

Sources:

1. ABS FY 1990.
2. U.S. Embassy Cable (Muscat 06965, 12/20/87).

**PAKISTAN**

Privatization activities in Pakistan date back to 1977 when 2,000 cotton ginning and rice husking and flour mills, nationalized under the Nationalization Act of 1974, were returned to their previous owners by the Zia government.(1) The Zia government, in its attempt to foster the privatization process, announced in 1985 that state owned enterprises would be privatized gradually, and in part through stock market offerings.

The new govt under the leadership of Benazir Bhutto has also expressed an interest in fostering the privatization process. One of the obstacles to disinvestment in Pakistan is the presence of a highly excessive labor force in SOEs and the difficulty govt and other potential investors have with labor force reduction. The situation is potentially more difficult for the new government, one that prides itself as a champion of the masses and a friend of the labor.(2) The other deterrents to privatization are essentially threefold. Firstly, finding buyers for SOEs has been difficult, particularly when the Zia government insisted on passing on the existing debt of the enterprise to the buyer, and also that existing staff levels be maintained in those that have been passed on to private hands. Secondly, the Zia government also claimed that the current capital market structure does not have the capacity to support any large scale projects. Finally, a volatile political atmosphere in the country till Zia's death, and thereafter, has hampered private sector development.

There has also been a growing lack of confidence in the private sector, a result of nearly two decades of criticism from Pakistan's politicians who have claimed that private sector is dominated by a few families. Even though the private sector has grown significantly, the concept of family dominance provided much of the rationale for nationalization in 1974, and remains a powerful issue in Pakistani politics.(3)

**CFP Contributions**

CFP/USAID assisted in reviewing privatization activities and projects undertaken by the government. They also helped the government in determining the feasibility of conducting country-specific privatization conferences in the future.(3) The present govt has displayed an inclination in teaming up with USAID to determine avenues for promoting privatization. The Center is likely to be called upon to provide assistance in the near future.

Sector	Type of enterprise	Activity	Notes
---Completed privatizations---			
AGRICULTURE	EDIBLE OILS	LIBERALIZATION	In 1986 the govt removed restrictions on imports of edible oils by the private sector as well as control on private sector prices. In this connection, the govt permitted private sector ghee mills to produce beyond their rated capacity, a move that raised total production and increased competition with the state owned Ghee Corporation.(3)
AGRICULTURE	FERTILIZERS	LIBERALIZATION	Private sector share of imported fertilizer distribution allowed by

govt was increased from 34% to 60% in 1987. Marketing incidentals on imported fertilizer have been equalized both for private and public sector distributors. Private sector share is likely to increase to 80% by 1990.(3)

MANUFACTURING      AUTOMOBILES

PRIVATE SALE

Pakistan Automobile Corporation, a state-owned enterprise has fully divested its shareholding in Republic Motors which was previously its subsidiary. The new company that is now being run by the private sector has been named Hino-Pak.(4)

SERVICES              AIRLINES

PRIVATIZATION PLAN

Pakistan International Airlines (PIA) is to be privatized through public offering of shares. The IFC's Capital Markets Group is currently involved in the privatization activities of PIA as underwriter for the sale of capital.(4)

---Other reports of privatization activity---

MISC.

PRIVATIZATION PLAN

In its attempts to foster privatization, the govt is considering the partial privatization of the following as a first step towards fully handing them over to the private sector: Bella Engineering (a PACO subsidiary), Zeal Pak Cement (a State Cement Corporation unit), Harnai Woollen (a PIDC unit), Metropolitan Steel and Pakistan Engineering (an SEC unit), National Refinery and the Pakistan Telephones. All the above are listed on the Karachi Stock Exchange and are presently 100% govt owned.(4)

SERVICES              WATER & POWER GENERATION

PRIVATIZATION PLAN

The Water And Power Development Authority (WAPDA) is being considered as a potential privatization candidate by the govt. Given the enormous resource mobilization problems in Pakistan, the govt is looking for ways to move major parastatals such as WAPDA and OGDC off-budget. USAID has been continuously working towards helping the govt in setting up of a detachable and potentially Privatizable Power Distribution Wing for WAPDA.(3)

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Sources:

1. Elliot Berg, "Divestiture in Developing Countries", World Bank Discussion Papers, June 1987.
  2. U.S. Embassy Cable (Islamabad 01546, 1/22/89)
  3. CFP Project #7200-023.
  4. Vuysteke, et. al., 1988.
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## PAPUA NEW GUINEA

### Overview & CFP Contributions

The government promotes the growth of the private sector by encouraging investors to buy shares in the SOEs offered for sale. The government requested the assistance of CFP in planning the divestiture of its shareholdings in 37 commercial enterprises. The government's goal is to divest a number of its interests to decrease administrative costs, minimize chances of future subsidization, and generate revenues by liquidation of its shareholdings. A CFP consultant identified and recommended companies as targets for privatization. The Ministry of Finance and Planning approved the privatization plans of 8 of these firms,[1] and a CFP consultant evaluated the tenders received by the government.[2]

Sector	Type of enterprise	Activity	Notes
---Completed privatizations--- [3]			
SERVICES	AIRLINE	PUBLIC SHARES	The World Bank reports that the govt sold shares of AIR NIUGINI to the public; however, the govt remains the major share holder.
---Other reports of privatization activity--- [3]			
AGRICULTURE	LUMBER COMPANY	PRIVATIZATION PLAN	STETTIN BAY LUMBER COMPANY PTY, LTD. is one of the largest timber and raw milling operations in PNG. The govt holds 25% interest, i.e., 25 million shares. The remaining 75% interest is owned by the managing shareholder, NISSHO IWAI CORP of Tokyo.
AGRICULTURE	PALM OIL	PRIVATIZATION PLAN	The NEW BRITAIN PALM OIL DEVELOPMENT LTD (NBPOD) owns 2 palm oil processing mills and the Koban Coffee Plantation in the highlands. The govt shares may only be transferred to a bona fide resident of the country.
AGRICULTURE	MARINE PRODUCTS	PRIVATIZATION PLAN	NEW GUINEA MARINE PRODUCTS PTY LTD is a prawn and lobster trawling company operating 6 vessels in the Papuan Gulf and selling products in Japan. The govt owns about 33% of shares, HOKOKU CORP 48.4% and NIPPON SWISAN KAISHA LTD 18.6%. Any sale of the govt's shares can take place only with consent of the other two owners.
EXTRACTION	COPPER COMPANY	PRIVATIZATION PLAN	BOUGAINVILLE COPPER, LTD. is a copper property with precious metal by-products. The govt owns 19.06% interest, i.e., a total of 76,430,809 shares, of which 5,000,000 shares are being considered for sale. Currently, the govt's shares can only be transferred to "an approved authority or an eligible territory resident."
MANUFACTURING	FOREST PRODUCTS	PRIVATIZATION PLAN	PNG FOREST PRODUCTS is a sawmilling and plywood manufacturer in Bulolo, with access to near by pine plantations. The govt owns 50.9% of the shares and the remaining 49.1% are owned by INCHAPE BERNARD. The govt through its intermediary holdings is increasing its

holdings up to 70% as a consequence of its commitment to purchase an additional 640,000 new shares and the repurchase of 485,000 class C shares. INCHAPE BERNARD, however, has the first right of refusal of any shares being sold by govt.

SERVICES	INSURANCE COMPANY	PRIVATIZATION PLAN	Formed in 1977 under an Act of Parliament, NIUGINI INSURANCE CORPORATION is 100% owned by the govt. However, before sale of the govt shares, an amendment must be made to the Act which guarantees local contracts of insurance and provides certain protection for the employees.
MISC.		PRIVATIZATION PLAN	Other enterprises in the financial, agricultural and service sectors that are undergoing privatization study: PAPUA NEW GUINEA BANKING CORPORATION NAMBAWAN FINANCE COMPANY INVESTMENT CORPORATION NATIONAL HOUSING COMMISSION MOTOR VEHICLES INSURANCE TRUST PNG SHIPPING CORPORATION NATIONAL PLANTATION MANAGEMENT AGENCY NATIONAL FOREST PRODUCTS KAGAMUGA NATIONAL PRODUCTS PTY, LTD

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Sources:

1. CFP Project # 29; U.S. Embassy Cable (Port Moresby 01205, 5/15/87).
2. ABS FY 1990; CFP Project # 29
3. Vuylsteke, et. al., 1988.

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**PHILIPPINES**

Poor financial performance of SOEs under the Marcos era coupled with the country's rapid accumulation of debt have been the major motives for privatization. Privatization was initially seen as a reform that increased accountability and reduced corruption.(1) In December 1986, President Aquino launched a program for the disposition and privatization of SOEs; this led to the formation of a cabinet level committee on privatization and the establishment of the Asset Privatization Trust (APT) responsible for the valuation, packaging and marketing of many of the government held assets.(2) The committee recommended the privatization of 125 enterprises (total resources: pesos 162.9 billion, number of employees: 48,260) comprising 28 enterprises in agriculture, 33 in industry and 64 in the services sector.(3) The government had targeted SOEs and acquired assets valued at \$4 billion for sale over the next five years.(2)

Two major types of assets: (1) non-performing assets or transferred assets turned over to the National Government; and (2) government-owned or controlled corporations (GOCCs) approved by the President of the Philippines are covered by the privatization program. To speed up the privatization program, the COP works in close coordination with several disposition entities. To date, there are fourteen disposition entities (APT being the primary disposition entity) responsible for drawing and carrying out privatization schemes for transferred assets or GOCCs assigned to them by the COP. Each disposition entity submits its recommendations to the COP for approval particularly as to price, buyer and terms of sale.(12)

As of March 31, 1989, 120 GOCCs have been approved for privatization: 116 with approval from the President and 4 which were privatized prior to the issuance of a privatization decree. By the end of March 1989, the privatization program generated pesos 17.95 billion in gross revenues for the government, pesos 13.6 billion from the disposition of transferred assets and pesos 4.35 billion from the privatization of GOCCs. Out of the total portfolio of transferred assets handled by APT, 109 accounts were fully sold and 49 accounts partially sold. Total sales arising from the disposition of GOCCs pertains to the sale of 19 of these corporations. Four GOCCs were privatized prior to the issuance of the decree and three others are in the process of dissolution. This brings the total number of GOCC dissolutions to 26.(12)

However, progress on privatization has been slow, lagging behind stated intentions. The reasons are threefold. First, investor interest has been lacking, and equity markets are quite underdeveloped. Second, certain groups within the government have had ideological reservations about privatization. Third, the government's decision to hold back the privatization of Philippine National Oil Corporation (PNOC) led to loss of investor interest that had started to build up. The government's initial plan was to sell 65% of shares in the PNOC through the local stock exchange of which 40% were to be sold to foreign investors.(4) The reasons cited by the government were that PNOC helps regulate the industry and maintain petroleum prices at reasonable levels, and that its profits finance energy development projects. Privatization would further aggravate foreign exchange problem.(3)

The government is now taking strong initiatives to build interest of investors. Debt-equity swap programs with attractive terms have been established by the Central Bank of Philippines so that foreign investors can buy a portion of the Philippines external debt and receive pesos at a premium for investment in selected areas. This program is proving to be a major contributor to the privatization process. The government has sought a \$200 million World Bank loan to partially finance privatization of GOCCs. It has agreed to the World Bank's pre-condition for the release of the loan earmarked for a three year rationalization program for GOCCs. The rationalization program envisions cutting the number of state-run concerns from the current 296 to 40, making them more efficient public service providers and financially sound and profitable enterprises. The companies, including Philippine Airlines and all shares in banks acquired during the Marcos administration, are planned to be sold over the next five years.

### **CFP Contributions**

A CFP study provided significant input to the government's decision not to undertake a massive physical and financial rehabilitation of assets prior to their sale as costs incurred would probably not be covered. The study further stressed the importance of centralization, simplicity, flexibility and speed for the government to succeed in privatization.(5) CFP was also approached by the Ministry of Agriculture to establish a framework for the divestiture of the National Food Authority (NFA). CFP experts reviewed the NFA non-grain business operations, assessed their commercial viability and established a fair price to guide the eventual sale of each operation. An action plan based on the report was developed and recommended to the government. The government has been implementing the plan to facilitate privatization of NFA.(6) CFP was invited to participate in an international conference in December 1986, "Philippine Opportunities for Entrepreneurs and Investors (PHOENIX)", which focused on divestiture of government operations. A three-member CFP team addressed issues of asset evaluation, and engaged in a spirited interchange with panel members on the merits of alternative valuation techniques.(7) The discussions were very well attended and generated significant interest among senior officials.(8)

CFP reviewed the operations of the Philippines Cotton Corporation (PCC) and the Philippine Dairy Corporation (PDC). It was asked to review the progress made in the implementation of recommendations that it had earlier made for NFA.(9) The Dept. of Agriculture accepted all the marketing strategy recommendations made by CFP for privatization of the PCC and PDC, and it has also, as per CFP recommendations, proceeded with the opening up of an Asset Disposal Unit to handle the privatization of PDC and PCC.(10)

CFP was recently called upon to assist in finalizing the scope of work for the development of a privatization strategy for the Philippine Associated Smelting & Refining Corporation (PASAR). Among the major conclusions of the Center consultant, the Philippine govt will have to arrange relief of its yen debt obligation as a first step towards privatization of PASAR. The IFC has indicated willingness to perform a facilitative role in such debt restructuring. The Center is trying to identify some investment banks that are also likely to help in the restructuring of PASAR.(13)

At the request of USAID/Manila, the principal official in charge of the Cabinet Committee of Privatization (COP), Mr. Diosdado Macapagal, Jr., visited the Center to discuss the basis of a Philippine privatization strategy. In addition to strategy advice to the Department of Finance (which oversees privatization), CFP will

provide technical assistance to other Philippine divestiture entities.(14)

Sector -----	Type of enterprise -----	Activity -----	Notes -----
---Completed privatizations---			
MISC.		PVT. SALE & D/E SWAP	The National Development Corporation (NDC) has sold all its interest in Tacoma Bay Shipping and Mindanao Textiles. It has also sold a part of its holdings in Interbank and National Stevedoring & Lighterage. Total proceeds of the 4 disposals: pesos 288.7 million. 40% of Interbank's shares were bought over by American Express (U.S.A) through a debt equity swap.(11)
SERVICES	HOTEL	PRIVATE SALE	TAAL VOLCANO, a tourist resort, has been sold to the Tokyo-based PRINCE Hotel group for US\$ 1.8 million. The company will invest an additional US\$ 9.5 million in the resort largely aimed at attracting more Japanese tourists.(11)
SERVICES	HOTEL	PRIVATE SALE	CEBU-PLAZA, a 420-room hotel in Central Philippines has been sold to an American-Arab company. Total value of sale: US\$ 15.6 million.(11)
SERVICES	HOTEL	PRIVATE SALE	PINES Hotel, a 676-room hotel situated in Northern Baguio city, the summer capital, has been bought over by a Filipino-Chinese conglomerate for US\$ 4.2 million.(11)
SERVICES	BANK	PRIVATE SALE	The Commercial Bank of Manila has been bought by The Bank of Boston and a group of local investors in Philippines. The Bank Of Boston bought its interests through a debt-equity swap with the govt.(4)
---Other reports of privatization activity---			
CFP> AGRICULTURE	COTTON PRODUCTION	PRIVATIZATION PLAN	The Philippine Cotton Corporation (PCC)(Total assets: Pesos 209 million) as per the privatization plan, is to be fully divested to the private sector. It was decided to sell the assets primarily through open bidding and liabilities were to be transferred to the Dept. of Finance. Bidding was completed 3/88 and the tenders were passed on to the govt for review. No further information is available.(10)
CFP> AGRICULTURE	DAIRY PROCESSING	PRIVATIZATION PLAN	The Committee on Privatization (COP) has approved privatization of the Philippines Dairy Corporation (PDC) (Total assets: Pesos 17.7 million). Physical assets of PDC are being offered at a public auction by the Dept of Agriculture. According to latest reports, bidding for PDC's assets is in progress.(5)

CFP>AGRICULTURE	AGRI-BUSINESS	PRIVATIZATION PLAN	<p>As per CFP recommendations in late 1986, divestment activities were assigned by the management of National Food Authority (NFA) to the Special Operations Co-ordinating Office (SOCO) and the Asset Development Unit (ADU) formed in July 11, 1987. They were entrusted the task of determining feasibility of privatizing peripheral projects under the NFA. Out of the 8 identified by CFP, SOCO and ADU decided to first privatize The Food Terminal Inc. In Oct 1987, a revised plan submitted by FTI management was declared unworkable.</p> <p>Several other steps taken by FTI management to hasten the privatization process have been unsuccessful. Transfer of the FTI to the Asset Privatization Trust (APT) for final sale was also being considered.</p> <p>CFP was called upon to review the progress made on privatization of operations under the NFA. Further recommendations made by CFP are presently being studied by the govt. Once the modality of privatization has been decided, finding potential investors will not be difficult as ten groups have already offered to purchase the NFA complex.(6)</p>
SERVICES	HOTEL	PRIVATIZATION PLAN	<p>22 state-owned hotels and resorts including the Manila Hotel are up for sale under the govt's privatization program. Foreign investors are permitted 100% equity holdings in tourist ventures. The emphasis of the govt towards promoting tourism is very much evident as there is a 40% ceiling for foreign investment in other sectors of the economy. (11)</p>
CFP>MFG.	MISC.	PRIVATIZATION PLAN	<p>CFP is to provide technical assistance in the divestiture of a 240,000 annual metric ton capacity coal mine, and a ship building and repair facility. Both are subsidiaries of the Philippine National Oil Corporation (PNOC). The study is to begin soon.(14)</p>
SERVICES	BANKING	PRIVATIZATION PLAN	<p>President Aquino has approved the partial privatization of the Philippine National Bank. The privatization calls for the sale to the general public of 10.8 million shares of PNB now held by the government. Actual offering through the stock exchanges of the shares to the public would likely begin in June. The price of the shares has not yet been finalized as reassessment report of PNB's assets and a recomputation of the present and future par values of the shares is awaited.(15)</p>
SERVICES	AIRLINES	PRIVATIZATION PLAN	<p>Philippine Airlines will pay off its \$158 million foreign debt and begin its privatization program by end 1989. It will sell a 66% stake to the public. The airline is currently 75% owned by the Government Service Insurance System, which will receive a PP3 billion loan from the govt to pay off</p>

Philippine Airlines debt. The airline will use the money it raises by selling equity to pay back the govt loan. The govt share will ultimately be reduced to 33%. The airline has reduced its foreign debt by 68.4% but has accumulated PP6.5 billion in net losses.(16)

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## SRI LANKA

Commencing with the nationalization of foreign owned oil companies and road transport services in the early 1960s, over 20 private sector companies were nationalized in the 1960's and 1970's culminating with the nationalization in 1977, under the Land Reform Act, of two thirds of the privately owned tea, rubber and coconut plantations, the main source of the country's export earnings. As a result of these policies, The country now has one of the largest public sectors outside the centrally planned economics. SOEs account for about 40% of the gross output in manufacturing and over 40% of the employment in this sector. Most of the 143 SOEs, comprising 127 non-financial and 16 financial enterprises have performed below satisfactory levels.(1) Subsidies granted to them have further contributed to the country's budget problems. More importantly, protection of these enterprises against competition from abroad and from within (through the granting of monopolies) has continued to be the major source of market distortions that have hampered private sector development.(2) In 1987, serious steps began to be taken, in part through the stimulus of the conditional World Bank restructuring loans, for the government to begin to divest itself of state enterprises and corporations.(3) A Presidential committee on privatization formed in July 1987 (comprising senior level officers in the government as well as the private sector), identified 18 enterprises to be privatized during the next 4 years.(4) As of now, progress in this area has been limited to the sale of some assets and the arrangement of management contracts. Also, 11 enterprises have been partially privatized, with the state retaining majority ownership. (see below)

The Presidential Committee, in 1987-88, launched an extensive publicity campaign to explain the objectives of the privatization program and economic benefits that would accrue. The objective of the committee being to expose the whole nation to the advantages of privatization, while at the same time attempt to allay the fears of potentially hostile and vulnerable groups. However, due to 1988 being an election year, the whole privatization program was stalled. After the victory

of the ruling party's candidate at the Presidential election and its return to power at the General elections held in February 1989, the government endorsed the Privatization Commission's program of work. Instructions have been issued to the Commission that every attempt should be made to broadbase public share issues of state enterprises and that ceilings should be placed on the percentage of shares allocated to a single person. In keeping with the policy of divesting SOEs to individual investors, the name of the Presidential Commission has been changed to "Presidential Commission on People-isation" and its programme of work termed People-isation of state enterprises.(7)

### CFP Contributions

CFP was approached in January 1986 with a request for assistance in conducting a privatization feasibility study of the Ministry of Health Food Extrusion Factory Complex (The Thripasha Processing Complex). The CFP team analyzed all the future options for the management and ownership of the complex and submitted its recommendations to the Ministry of Health for assessment and implementation.(5)

Sector	Type of enterprise	Activity	Notes
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---Completed privatizations---			
MANUFACTURING	TEXTILES	MGT. CONTRACT	3 companies - THULHIRIYA, PUGODA & VEYANGODA under the National Textile Corporation(NTC) are under a management contract with private companies for running their operations. (6)
MANUFACTURING	CEMENT	MGT. CONTRACT	BLUE CIRCLE (UK) has been awarded a management contract for running the operations of a Cement Corporation (CCC) subsidiary, Lanka Cement. Lanka Cement is jointly owned by CCC (67%) and private shareholders (33%). Under the agreement, CCC will share all the profits of Lanka Cement with Blue Circle Industries.(5)
MANUFACTURING	TILES	PRIVATE SALE	GOBU TILE FACTORIES has sold off the assets of its 3 subsidiaries - Vijaya Tile Works, Shaw Industries and Noorani Tile Works.(6)
SERVICES	AIRLINES	MGT. CONTRACT	AIR LANKA (formerly AIR CEYLON) is under the management of SINGAPORE AIRLINES. The govt is also negotiating with SAS to reorganize Air Lanka. SAS has recommended to the govt to reduce its shareholding in the airline to 40%. Air Lanka has already been converted into a joint stock company with equity participation to be opened to private and foreign investors.(6)
---Other reports of privatization activity---			
CFP>AGRICULTURE	FOOD PROCESSING	PRIVATIZATION PLAN	The Ministry of Health has been considering the privatization of the Thripasha Processing Complex (TPC) for quite a while. CFP was called upon to undertake a feasibility study for the privatization of TPC. CFP recommendations for the type of management and ownership of the complex are being reviewed by the govt.
MANUFACTURING	POWER GENERATION	PRIVATIZATION PLAN	ADB is assisting the Lanka Electricity Company (LECO) in its institutional strategy study to address the role of the govt in power distribution and the desirability & benefits of private sector

SERVICES	TRADING	PRIVATIZATION PLAN	involvement. The study is expected to be over shortly. An exercise carried out by the Committee on Privatization (COP) to determine the feasibility of privatizing the State Trading Corporation (STC) has shown encouraging results. STC includes the State Trading General, Tractors, Textiles and Consolidated Exports. As proposed by COP, all subsidiaries under the STC will be converted into export-import trading houses to be run under the private sector.(6)
TELECOM		PRIVATIZATION PLAN	Privatization efforts over the past two years have included the decision to transfer the Telecommunications Department (SLTD) to the private sector. The legislation for privatizing the SLTD is in the drafting stage. The govt seeks foreign equity participation and will also retain a share in SLTD. The modalities of ownership are not known yet. Any foreign partner would have a strong say in the downstream procurement; Japanese and Western European firms have shown the strongest interest in SLTD so far.(6)

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## THAILAND

The policy of restricting the increase in the number of state enterprises dates back to the early 1960's when the government decided to foster the growth of the private sector. This resulted in a gradual decline in the number of SOEs from 100 in 1960 to 67 in 1987.(1) Though these enterprises have been producing net operating revenues for the state, they have also accounted for 60% of the country's foreign debt. Moreover, their remittances of profits to the government have been declining. (2) Privatization has very much been the top priority of the government since 1985. The National State Enterprises Committee (NSEC), headed by the Deputy Prime Minister and comprising senior government officials and private sector businessmen, was formed in 1986 to set policy and advise on privatization.(3) However, the government's policy to sell off SOEs has not gone far, essentially due to three reasons. First, privatization has run into strong opposition from labor unions and vested bureaucratic interests. The government is torn between potential political risks and financial imperatives. The unions are stronger in state enterprises than in the private sector and are threatening to step up their campaign against privatization on the argument that it would affect many jobs (particularly so in the case of the tobacco industry, a monopoly of SOEs where almost 30% of the wage bill goes on overtime). But though the government is dedicated to increasing efficiency, the unions may raise objections.(4) Secondly, the general public does not understand how it will benefit from

privatization. The newly-formed Securities Exchange of Thailand (SET) is running about a dozen courses a year on investment that are attended by around 200 potential investor per course. The third reason why the government has not been able to more actively pursue privatization is that the industries that it wants to divest are industries the private sector seems to least want.(2)

With the formation of a new government in mid-1988 the National State Enterprises Committee (NSEC) was dissolved, but according to latest report it has been reestablished.(5) The Thai cabinet, in its forthcoming convening session, will attempt to resolve the material row that has surfaced over plans to privatise Thai Airways International. The Cabinet's decision is likely to have an important impact on the pace of privatization in Thailand and on the developing of the country's narrowly based capital market. According to the Ministry of Finance and National Economic and Social Development Board, the government will not be able to provide the huge development sums needed by SOEs in the next five years. Thai Airways International is estimated to need some \$1.2 billion for new aircraft purchases in the next three years. Two other privatization targets, Electricity Generating Authority of Thailand (EGAT) and the Telephone Organization of Thailand (TOT) have capital spending requirements of \$8 billion over the next five years. With assets valued at about US \$4 billion, and total employment at 31,114 in fiscal year 1986-87, EGAT is by far the largest SOE. It is, however, also the largest single borrower of foreign loans, having incurred total foreign debt of more than US\$2 billion in fiscal year 1986-87. The Finance Ministry is believed to favor floating 30% of Thai Airways shares initially. Listing the shares would ease the liquidity problems of the SET, where shortage of stock has contributed to the very sharp rise in the main index this year.(13)

### CFP Contribution

CFP participated in a privatization policy conference on "Appropriate Models of Privatization for the Sixth Economic Development Plan", held in Bangkok, August 6-7, 1986. A CFP consultant addressed distinguished government officials on the various strategies employed in developing a successful privatization climate in the country. The highlights of the address were the necessary approaches towards privatization, negotiating transfers and the role of the government after divestiture.(7) Several recommended strategies were later adopted and incorporated in the Sixth Economic Development plan laid out by the government.(8)

CFP assessed the privatization climate in Thailand and recommended terms of reference for follow-on work to develop and implement a national privatization strategy for Thailand.(2) During April 1988, a draft proposal based on CFP's report was submitted to USAID by the Comptroller General's office. The proposal calls for USAID to provide long-term technical assistance to enable the National State Enterprises Board (NSEB) to prepare and implement a privatization plan. It has also asked the USAID for commodities and other assistance related to improvement and capabilities of the NSEC in monitoring of state enterprises.(8)

Sector	Type of enterprise	Activity	Notes
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---Completed privatizations---			
MANUFACTURING	PAPER MANUFACTURE	PRIVATE SALE	Bang Pa-In paper mill (total assets-277.48 million baht; net losses-7.78 million baht), an enterprise under the Ministry of Industry was sold through a private placement in 1985.(3)
MANUFACTURING	ALUM MANUFACTURE	LEASE	PHAISARN, a private company, was given leasing rights to operate the State Alum Factory. PHAISARN is a joint venture between Thai Acid Industry Co. & Phaisarn Industry formed in 1978.(10)
MISC.		JOINT VENTURE	The Thai Marble Corporation (Assets: baht 76.41 million & net profits: baht 16.41 million) and Erawan Hotel, both under the Ministry of Finance, underwent divestiture in 1986 and 1987. Thai Marble was sold through direct negotiation and the Erawan Hotel, closed down earlier, will be re-opened in 1991 as a joint

MISC.			venture with Amarin Development Co. Private concerns have been permitted to partially take over the operations of the State Railway of Thailand and Bangkok Mass Transit Authority. The E-sarn Bag Company & the Chonburi Company have also been privatized. Details are not available.(11)
---Other reports of privatization activity---			
MANUFACTURING	JUTE	PUB. SHARES	The North East Jute Mill Co. Ltd (total assets-168.18 million baht & net profits - 16.41 million), an enterprise under the Min. of Finance, was privatized through the sale of 60% of its shares on the Security Exchange. The Ministry retained 30% shares while the remaining 10% were bought over by company employees.(9)
SERVICES	COLD STORAGE	PRIVATIZATION PLAN	The Cold Storage Organization (CSO) under the Finance Ministry is to be privatized. The Ministry has set up 2 committees to look into the matter. The first committee is seeking ways to recommend to the govt on how to privatize the agency. The second is responsible for hiring a consultancy firm to evaluate the CSO's assets.(12)
SERVICES	MARITIME	PRIVATIZATION PLAN	The govt is presently conducting a study for privatizing the port facilities of Sattahip, deep sea ports at Laem Chabang and Map Ta Put ports, Songkkla and Phuket ports, etc. The options being considered include management contract, private sale via tenders from port facility users and granting of private treaty grants for exclusive users and leasing.(10)
TELECOM		PRIVATIZATION PLAN	Telephone Organization of Thailand (TOT) is being considered for private sale. Bell Canada has proposed to invest US \$400 million. Majority of the shareholding is to be with Thai companies and individuals.(10)
SERVICES	MISC.	PRIVATIZATION PLAN	Investment plans to expand the capacity of EGAT will cost an additional US\$7 billion over the next ten years, the bulk of which is to be financed through foreign borrowing. The burden of debt servicing to be borne by the state is likely to get increasingly heavier. Privatization of EGAT has assumed urgent proportions. GOT is considering a proposal to sell off a part of its equity to the private sector. However, with an equity valued at more than US\$1 billion, there is a fear that the limited

domestic market may not be able to meet such a heavy demand for financial resources. Alternatively, the govt is also considering allowing the private sector to install power plants to produce and sell electric power plants which will then be distributed through the national grid system.(14)

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## TUNISIA

The government of Tunisia, on its own initiative, plans to move away from centralized economic planning. The government's first step was to define its major objective for privatization. The government's goal has been to increase popular participation of all socio-economic groups in economic growth. Privatization in Tunisia is therefore viewed as a means of improving productive efficiency and the distribution of wealth(1).

Two historical factors led to the intervention in the economy (that is, planning, price controls and promotion of public enterprises) and to a significant increase in the importance of the public sector in the Tunisian economy: the departure of French cadres who were responsible for operation of the SOEs, and the absence of a managerial class and a strong private initiative. Subsequently, government intervention led to certain structural problems such as inefficient resource allocation, poor quality products, lack of competitiveness on the international markets, heavy debts and an unfavorable balance of payments position.(2) As a result, the government plans to restructure the economy by privatizing companies in the public sector that compete with the private sector. The government's privatization program does not focus on what are seen as large strategic sector monopolies such as Tunis Air(3).

Currently, the ratio of public-to-private ownership is approximately 60% to 40%. Public enterprises dominate the economy; they provide 60% of exports, 20% of GDP and 33% of all wages. Public enterprises employ almost 50% of the workforce. There are about 550 SOEs, of which almost 200 have more than 50% state-ownership, and the remaining have minority state-ownership of at least 10%. There are 150 SOEs such as the public telephone system and other public service industries, which are considered to be strategically important, and thus not eligible for privatization. In August 1987, the government passed a law which provided the creation of three decision-making bodies: the Inter-Ministerial Commission to choose the SOEs for privatization, the Restructuring/Privatization Commission to undertake required analyses and structure the privatization deal and the Follow-Up Commission to carry out the privatization transaction. Subsequently, these individual bodies were combined into a single higher level Commission (CNAREP) situated in the Prime Ministry. The Tunis stock exchange

is also being expanded and strengthened to broaden ownership of productive facilities. Over 30 firms have already been identified for privatization, primarily textile firms, hotels, building materials and training firms.

According to latest reports, The Tunisian privatization program is moving at an appreciable pace, with significant sell-offs of SOEs occurring regularly. In the last 4 months, GOT parastatals worth over \$33 million have been divested to the private sector. These included six properties, four hotels, a tile factory and a coffee shop/night club.(see below for details) The overall program contemplates privatization of approximately 56 public enterprises in the current quarter, and divestiture of participations or selling off of subsidiaries of another 81.

The success of the program can be attributed to 1) the sincere commitment of the govt to proceed with the program 2) the govt's decision to streamline the implementation program with a single powerful committee located in the Prime Ministry 3) the collaborative approach of the donor community, particularly the World Bank & USAID and 4) the govt's recognition of the high quality technical assistance provided by the Center. (For Center's activities in Tunisia, refer to "CFP Contributions" below) (4)

### CFP Contributions

CFP experts participated in the privatization workshop of the First and the Second Tunis Conferences on Privatization, which addressed the political, economic and technical prerequisites for implementing a privatization program.(5) In September 1987, CFP sent a five-person team to Tunisia to meet with high-level government officials regarding privatization opportunities. AID/Tunis will "buy-in" to CFP's contract with AID Washington to gain their assistance in support of Tunisian privatization program.(6) The First Tunisia International Conference on Financial Markets Development in May 1988 set the stage for further development of the Tunisian financial markets through CFP.(7)

Two Center consultants arrived in Tunis in December 1988 to take up assignments in the Prime Ministry and the Bourse/Stock exchange as the principal advisors to the GOT in its program of privatizing SOEs. The two member long term team has been tasked to carry out a diversified program of technical assistance in privatization. The team has made significant progress in its first four months of operation. The team submitted analysis and complete accounts on more than 25 government enterprises that have been reviewed as candidates for privatization, of which six have been divested. Ten other public enterprises are slated for privatization within the next four months and 46 in the next twelve months. The team has also reported close coordination within the donor community of support for Tunisia's privatization efforts, with a \$250 million World Bank loan now under negotiation, and additional support from IFC, UNDP and other bilateral donors, notably the United Kingdom.(8)

The Center recently organized a conference on leveraged management buyouts in Tunis. The banking community was invited to be a major participant in the seminar. The conference demonstrated the seriousness with which the government considers the labor surplus issue, and its willingness to consider various approaches to a solution of the problem. Over 150 participants, including heavy representation from the local banking community attended the conference. Among those present were the Minister of National Economy and the Executive Director of the Privatization Commission.(8)

Sector	Type of enterprise	Activity	Notes
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---Completed privatizations---			
EXTRACTION	MINING	CAP. RES/PRIV. SALE	FLUOBAR increased its asset base with private sector and World Bank/IFC investment, decreasing the govt share from 95% to 45%. ARMICO, an Arab mining company, owns 39% of the shares and the World Bank/IFC 11%. With an increase in potential investors, the govt intends to further divest the company.
MANUFACTURING	TEXTILES	CAPITAL RESTRUCT.	SITER was the subsidiary of SOGITEX, a state-holding company. The World Bank/IFC restructured the capital through Guaranteed Recovery of Investment Principal (GRIP).

MANUFACTURING	TEXTILES	CAPITAL RESTRUCT.	SITEX, another subsidiary of SOGITEX, was privatized via capital restructuring; i.e., prior to private sale and public share offering, the capital and asset base of the company was increased in order to attract potential investors.
MANUFACTURING	MARBLE COMPANY(SUBSIDIARY)	PRIVATE SALE	MARBRERIE DE THALA, a marble subsidiary was sold to a private group supported by the Tunisian-Saudi Arabian Bank.
SERVICES	HOTEL	PRIVATE SALE	HOTEL ULYSSE DE DJERBA was privatized via private sale to a Tunisian-German group.
SERVICES	HOTEL	PRIVATE SALE	HOTEL HANNIBAL , subsidiary of SOTIMACO was sold to a local group via public share offering (public tender).
SERVICES	HOTEL	PRIVATE SALE	HOTEL MIRAMAR was sold to the local bank BTKD. Request for tenders was made October 1988 (10).
SERVICES	TRANSPORTATION	CAP. RESTRUCT.	SRT was privatized partially; i.e. the freight operations were spun off and sold.
SERVICES	HOTELS	PRIVATE SALE	Four hotels were among the completed privatization transactions, including the Hotel International in Tunis, sold for dinars 12,399,000 in March 1989, and another group of three hotels located in Monastir, Hammamet, and Jerba.(8)
MANUFACTURING	TILE FACTORY	PRIVATE SALE	CARRELAGAS DE THALA, a tile factory was sold to a private investor for 275,000 dinars.(8)

---Other Reports of Privatization Activity---

SERVICES	TOURISM	PRIVATE SALE	AGENCE FONCIERE TOURISTIQUE, a state agency specialized in industry and trade, put up for sale a tourist complex at EL Mansourah Kelibia in October 1988. The said complex covers a surface of 54 Ha and includes a hotel with 328 beds, in operating condition, and various outbuildings.(12)
MISC.			Firms identified for either divestiture of components or progressive privatization include EL ISKEN, a real estate marketing firm; EMACOR, a company engaged in construction and repair of maritime vessels and facilities ; OFFICE NATIONALE DES PANCHES, and the nationalized fishing industry which will privatize its trawler operations. Also, govt's shareholding in two SOEs; SOTUVER & STUMETAL, are to be sold off via the stock exchange. The sale of 30% govt owned shares in SOTUVER. a beaker and tumbler factory, is expected to generate dinars 1,292,064 and the proceeds from STUMETAL of which the state-owned BDET Bank holds about 23% of the shares, is expected to realize dinars

1,726,660. CONFORT SERVICE, a firm marketing domestic appliances, is in the process of being privatized.(11)

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Sources:

1. L. Gray Cowan: Review of interview with Mr. Haneshi, Tunis, 1/23/88.
  2. Report on The Privatization Conference, April 22-25, 1987, S. B. El Hannachi.
  3. Report on Trip to Tunisia (9/24/87 to 9/27/87), T. de Saint-Phalle.
  4. CFP Staff Report, 6/7/89.
  5. Dept. of State Cable (State 069306, 3/10/87), U.S. Embassy Cable (Tunis 07529, 7/8/87) and (Tunis 05673, 5/31/88).
  6. ABS, FY 1990.
  7. U.S. Embassy Cable (Tunis 06065, 7/9/88).
  8. CFP Staff Report, 6/9/89.
  9. Vuylsteke, et. al., 1988.
  10. Financial Times 10/30/88.
  11. CFP Staff Report, April 1989.
  12. Financial Times, 10/30/88.
- 

## TURKEY

Privatization is a major component of the government's strategy to open the economy to private investors, both domestic and foreign, and to make the economy more responsive to domestic and international market forces.(1) The government took its first steps towards privatization in 1984 when it organized and executed two public offerings. Although the government only sold a minority of the shares in each case, the transactions whetted the public's appetite for long-term privatization.(2) The government received active support from the World Bank which financed four major technical analysis. Three of these were sub-sector analyses, i.e., cement (Semam Metra Concl), textiles (The Boston Consulting Group) and fertilizers (Arthur D. Little). In these sectors, SOEs have controlled more than 50% of the production in Turkey; moreover, in the case of fertilizers, they have controlled almost 100% of the distribution. In the fourth analysis, Morgan Guarantee (U.S.) was awarded the contract to analyze 32 SOEs and design a national privatization strategy, and classify each according to the prospects of privatization. Recommendations were submitted in June 1986.(2) In the summer of 1987, a new privatization plan was made public, and the Public Participation Fund created to make recommendations on all crucial matters of privatization implementation and oversee their transition. Ministerial level councils were given the authority to make final decisions on entities to be privatized.(3)

In spite of these significant measures, privatization activity in Turkey has been slow. The government faces resistance from a coalition of government bureaucrats, labor unions and local politicians, all of whom have feel threatened by the proposed privatization goals. The program also has to contend with a macro-economic policy environment that requires numerous adjustments to become more attractive to private investors; such reforms include lifting price controls, liberalizing interest policy and removing import barriers.(3) The collapse of the Istanbul stock exchange in 1987-88 and the unhappy experience of the sale of the government's stake in TELETAS (where shares quickly fell below the price investors originally paid for them) have ruled out the idea of an another flotation right now. As an alternative, the govt is considering selling off enterprises directly to the private sector. In 1988, the govt decided to gradually implement the privatization of SumerBank & Petkim. These are conglomerates specializing mainly in textiles and petrochemicals respectively and they are aiming Turkey's largest industrial enterprises. The two corporations now head a list of 45 industrial companies in which the government's stake has been handed over to the Public Participation Fund. They span a diverse range of activities from cement, tourism, supermarkets,

fertilizers, electricity, motor vehicles, agricultural chemicals, and liquid gas.(9)

### CFP Contributions

CFP conducted an intensive 2 week orientation program in February 1986 for four senior Turkish government officials in Washington, D.C. and New York. The program included a three-day international conference on privatization organized by AID and meetings with officials of leading firms in privatization in New York.(4) CFP experts were called to discuss privatization in Turkey with emphasis on the divestiture of TARIS, an agricultural co-operative, processing and marketing firm in Izmir. The experts made an in-depth assessment of TARIS operations, including its organizational, functional, financial, production and marketing activities.(5)

The Center in association with the UNDP, the Turk Ekonomi Banasi, Misr-Iran Development Bank and the Amman stock exchange, Jordan co-sponsored the first in the series of three regional conferences on Privatization: Mediterranean Experience in Istanbul in December 1988. The conference served as an exchange of experience and information among the Turkey, Egypt & Jordan; countries which share similar development objectives. The next conference in the series is to be held at Cairo from November 7-9, 1989.

Sector -----	Type of enterprise -----	Activity -----	Notes -----
---Completed privatizations---			
SERVICES	BRIDGES	PUB. SHARES	In its attempt to initiate the privatization process in late 1984, the govt sold shares equivalent to 34% of the revenues (\$23 million) of the famous Bosphorus Bridge (connects the continents of Asia and Europe). The sale was carried out by the offering of Revenue Sharing Certificates. The certificates were oversubscribed and were completely sold to about 15,000 local investors.(2)
SERVICES	BRIDGES	PUB. SHARES	Kaban Dam was also partially privatized in 1984 by the selling of shares equivalent to 22% of the dam's income (about \$92 million). The sale was carried out by offering revenue sharing certificates to the local investors.(2)
TELECOM		PUB. SHARES	TELETAS, a telecommunications company privatized in February 1988 was the govt's first substantial privatization after the passage of the new privatization law in 1987. 22% (total value \$12.9 million) of the govt's 40% shareholding in TELETAS was sold to investors. The remaining 39% of the shares are at present held by Bell Telephone Manufacturing Company (Belgium).(6)
---Other reports of privatization activity---			
MANUFACTURING	BOTTLING PLANTS	PRIVATE SALE	The Housing Development and Public Participation Administration (HDPPA) invited bids for 88% of ANSAN. The bottling capacity of the plant is 5.4 million cases (currently 90% utilized). The plant was sold in January 1989 to a wholly owned subsidiary of Coca Cola Company, U.S.A. An another bottling plant, MEDA was also sold to the Coca Cola Company.(7)

SERVICES	HOTELS	PRIVATE SALE	TURBAN A.S., a chain of 18 hotels and 4 Marinas, was put up for sale in May 1989. Interested parties have been invited to register their interest with the govt's financial advisors, Morgan Grenfell & Co. Ltd, London and Testilbank, Istanbul by July 15, 1989.(10)
MISC.		PRIVATIZATION PLAN	The govt is in the process of completing the sale of 5 cement plants owned by CITOSAN, the state cement corporation. The govt is studying options for privatization of SUMERBANK, one of Turkey's largest SOEs. It has a variety of interests that include 44 bank branches, 465 retail stores and a textile manufacturing business accounting for 50% of the country's textile industry. Barclays de Zoete Wedd, Coopers & Lybrand and Interbank are the advisors to the govt on Sumerbank divestiture. PETKIM, the country's major petrochemical producer, is also being considered for privatization. Midland Montague, Price Waterhouse and Turk Economi Bankassi have been appointed as advisors to the govt for facilitating the privatization of Petkim.(8)

## Sources:

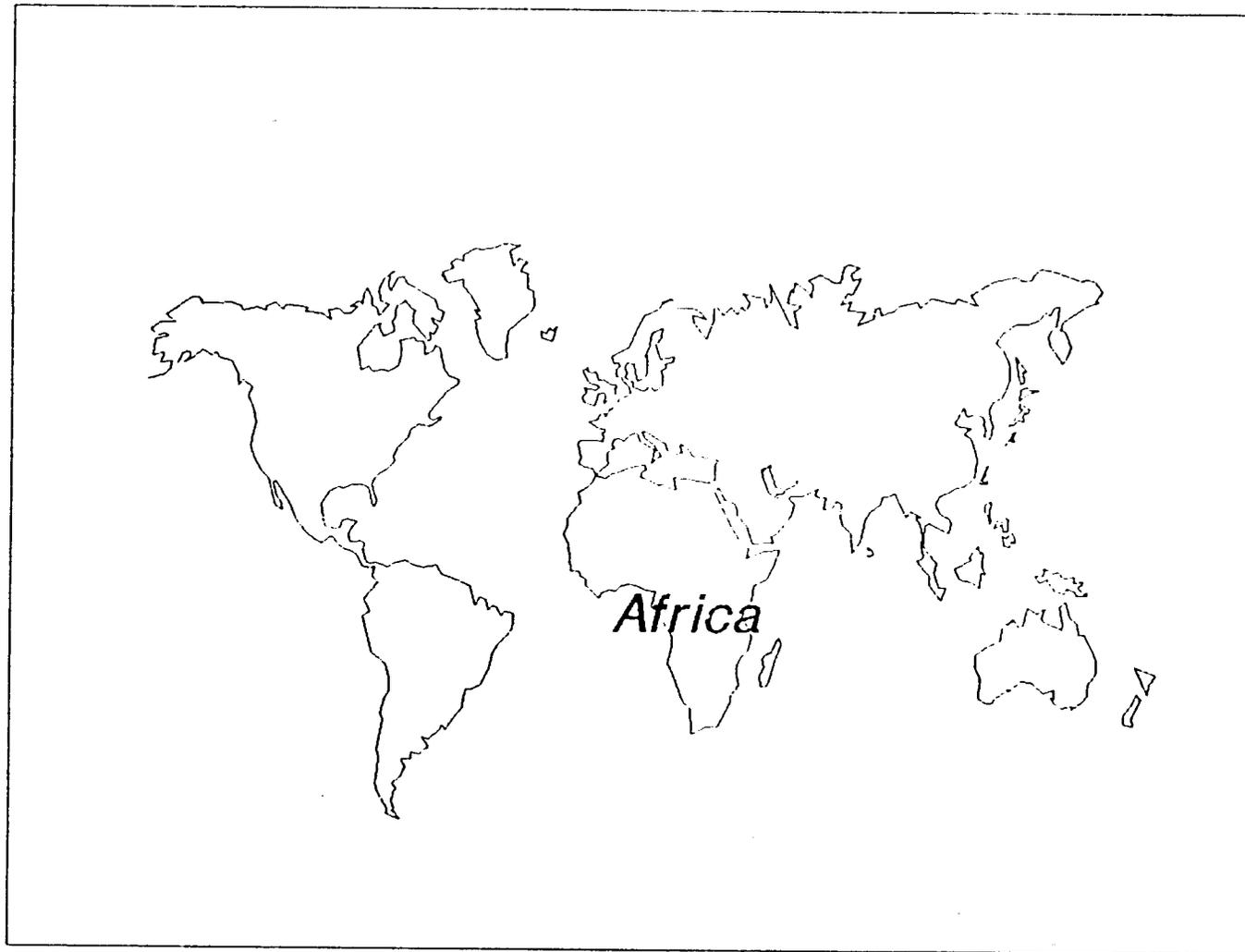
1. "Privatization Efforts Move Forward", Turkish Business Review June 1987.
2. Roger Leeds, "Briefing On Turkey," 5/23/87.
3. Roger Leeds, "Turkey: Implementation of Privatization Strategy" December 1987.
4. Cable: Dept. of State (Ankara # 031093, 1/31/86).
5. CFP Report # 7200-009.
6. CFP Report # 7200-065.
7. Financial Times, 1/24/89.
8. Financial Times, 12/8/83.
9. The Economist, May 27, 1989.

**YEMEN-SANAA**

There are 28 public and mixed ownership corporations in Yemen, most of which were established after 1972 as efforts to counterweight private monopolies and oligopolies and to generate employment. Most of these public sector corporations are run on a commercial basis though subsidies constitute 10% of current expenditures.

USAID's approach is based on policy dialogue on the economic fundamentals of free and open markets, encouraging direct competition from private sector with the SOEs. The USAID mission has initiated two important policy studies in Yemen. Firstly, a study of Yemen's financial markets was undertaken by Arthur Young, which identified a number of structural and policy constraints to deepening these markets, expanding commercial bank and investor participation. Secondly, a policy framework analysis was conducted by a team of distinguished U.S. economists, aimed at identifying macro-economic and financial policy constraints to overall economic growth.

# PRIVATIZATION TRACKING SURVEY



Center for Privatization

## Regional Background

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A controversial study by the World Bank and the United Nations Development Programme concluded that African countries which have over the last several years adopted structural adjustment measures, mainly as advocated by the World Bank and the International Monetary Fund, have experienced better economic performance than non-reforming countries. This evidence that internal policies affect performance at least as much as external factors (e.g., terms of trade, debt servicing difficulties) lends support to the arguments for privatization and related reforms. The method and pace of reform, and especially its impact on the poor, are still matters of much debate, but nevertheless a clear trend can be identified that governments are moving away from centralized planning and strict controls on economic activity and towards more open markets and reliance on the private sector.

One of the most dramatic shifts has come in the field of agriculture. A recent U.S. Department of Agriculture study found that "at least eight countries have ended state monopolies for marketing of particular agricultural goods since 1985 (Congo, Guinea Bissau, Malawi, Niger, Nigeria (all six of its marketing boards), Sierra Leone, Somalia, and Zambia). At least six countries have undertaken programs to privatize state involvement in agriculture during the same period (Benin, Ghana, Guinea Bissau, Nigeria, Sierra Leone, and Togo). These countries, along with those cited by the World Bank in 1981 as already privatizing (Mozambique, Senegal, Uganda, and Zaire), account for more than half the population of Sub-Saharan Africa." [2]

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### Sources:

1. Africa's Adjustment and Growth in the 1980s. Washington: World Bank and the United Nations Development Programme, 1989.
2. U.S. Dept. of Agriculture. Agriculture in the Uruguay Round: Analysis of Government Support. Washington: USDA, Agriculture and Trade Analysis Division, Economic Research Service Staff Report AGES880802, December 1988.

## Country Specific

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### ANGOLA

The private sector plays a minor role in Angola's economic development strategy. The government nationalized factories, firms, and plantations abandoned by the owners in the wake of its independence from Portugal in 1975. More recently, the government has shown some inclination to privatize the fishing, mining and construction industries. A 1987 initiative, bolstered by July 1988 legislation and based on IMF-style programs, has among its objectives greater autonomy for SOEs, economic liberalization and private sector development. Civil war, in addition to a lack of managerial talent, are the most important obstacles to more rapid progress. Angola is scheduled to join the IMF in the Summer 1989.

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### Sources:

- Export Pre-financing Revolving Fund (EPRF) Systems in SADCC, draft, October 1987. New York Times, 7/30/87.
- Investors' Guide to the SADCC Countries, July 1986.
- "War-ravaged economy forces the pace of Angola's reform" Financial Times, n/d.
- "Suddenly, the business of Angola is business" Business Week, 1 May 1989.

**BENIN**

The government of Benin is expected to sign an agreement with the World Bank and the IMF for structural adjustment.[1] The performance of the parastatals has not matched expectations, therefore the government is considering privatization plans for several money-losing SOEs, including a state agricultural marketing monopoly.[2]

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## Sources:

1. West Africa, 6/27/88.
  2. New York Times, 7/30/87.
- 

**BOTSWANA**

Western-style market economy; government gives preference in lending to private firms controlled by nationals. Some sectors of the economy remain under government control, primarily through the Botswana Development Corporation (BDC), in agribusiness, mining, energy and light manufacturing. Joint ventures with the BDC are encouraged. Many community and rural development programs emphasize sustainable income generation, as have land use and natural resource conservation projects. Botswana must import much of its food, and some proposals call for proceeds from U.S. grain sales made on local currency credit may be channeled into such employment-generating rural development projects.

The government is developing the indigenous private sector primarily through training, investment promotion and credit expansion projects. USAID has assisted in these efforts.

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## Sources:

- US Treasury, 1985
  - Front Lines Radio, 6 Jan 1989
  - ABS FY 1990
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**BURKINA FASO**

The revolutionary government installed in 1987 emphasizes private sector development by focusing on rural development, self-reliance and increased popular participation. As of yet, however, there is no indication that privatization plans have been carried out.

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Sources: CP FY 1989.

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## BURUNDI

Approximately 50% of business is in private hands. Of 17 SOEs one has already been privatized and three are being liquidated.[1] Coopers & Lybrand is to assist government with the privatization plan. Due to the limited investor potential in Burundi, C&L is to look into the neighboring countries for investors.[2] In 1985, a World Bank team visited Burundi and completed a comprehensive study of the private and public sectors, including an analysis of SOEs.[3] In 1986, the World Bank and the IMF came up with a reform program to reinforce stabilization and improvement of balance of payments, which included the rehabilitation or privatization of certain parastatals.[5] USAID's strategy for structural adjustment emphasizes support for the private sector, especially the agribusiness activities.

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### Sources:

US Dept. of State cable (State 016333, 1/17/86).

US Embassy cable (Bujumbura 1029, 3/3/86).

Keith Marsden and Therese Belot, "Private Enterprise in Africa", World Bank Discussion Paper, July 1987.

CP, FY 1989; ABS, FY 1990.

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## CAMEROON

In August 1985, the government stipulated that shares in 62 nationalized companies held by Societe Nationale d'Investissement (SNI), the state investment company, be offered to Cameroonian nationals within the next five years. Efforts have stalled, however, over which companies to privatize - whether all the existing 180 SOEs or only those under the SNI - as well as on timing, the price of shares, and the legal conditions governing transfers etc.[1] The World Bank has assisted in more clearly defining privatization objectives and in preparing a comprehensive list of recommendations for closing or privatizing the SOEs. The government has acted on some of the recommendations, liquidating five companies. It has also awarded management contracts for 6-10 SOEs (see below). USAID is supporting the government in an agricultural marketing project proposed for 1990. The government has evinced keen interest in the privatization of various agricultural marketing functions that are currently in the public or semi-public sector.(3)

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---	Completed privatizations---		
MFG.	BRICKS, FERTILIZERS	LIQUIDATION	SIRICOM (a brick manufacturing company) and SOCAME (a fertilizer producer) have both been liquidated by the govt.(2)
MISC	RUBBER, SUGAR & TRANSPORT	MGMT CONTRACT	HAVECOM (rubber), SUCOCOM(suga ) and Cameroon Transport were all privatized through signing of management contracts.(2)

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Sources:

1. Cameroon: The Privatization stakes, 7/1/88
2. Candoy-Sekse, Rebecca and Anne Ruiz Palmer, "Inventory of Country Experience & Reference Materials," vol.III of Techniques of Privatization of State-Owned Enterprises, World Bank Technical Paper 90, 1988.
3. ABS FY 1990.

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**CENTRAL AFRICAN REPUBLIC**

Since 1982, the government has greatly decreased state intervention in agriculture by elimination of various parastatals. Prior to 1982, the government faced economic problems caused by the unsound public investments, excessive expansion of the civil service and the creation of unprofitable public enterprises. In 1987, several liquidations and action plans were undertaken for the SOEs. USAID's strategy is to strengthen the private sector through better marketing, processing and distribution of agricultural products.

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Sources:

- CP, FY 1989; ABS, FY 1990  
US Dept of State (State 071512, 3/8/88).

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**CHAD**

Though privatization has not been a priority of the government, it has shown some interest in the divestiture of a rock quarry. It intends to privatize the parastatal quarry operation completely and had sought U.S. help in exploring the feasibility of the idea. The World Bank agreed to finance the study of privatization alternatives. Many of the existing industrial parastatals are joint ventures with the French Casse Centrale de Cooperation Economique.

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Sources:

- US Dept of State cable (Njamena 01983, 4/1/87 & 362083, 11/20/87); US Treasury 1985

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**COMOROS**

Some government interest in privatization. Poor infrastructure and a decline in agricultural production caused by soil erosion has generated calls for new reforms. USAID plans to study the alternatives for privatizing two garages, in Grande Comore and Anjouan, through sale or lease.[1]

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Sources:

- Congressional Presentation, FY 1989; ABS, FY 1990.

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## CONGO

The government has recently begun to emphasize joint-ventures between the state and private sectors. The government has created a ministry for small and medium-sized enterprises to develop the private sector by organizing management seminars and by creating a fund for feasibility studies by local entrepreneurs. The joint-ventures are formed from failing SOEs and the minority foreign partner is given management responsibility. The divestiture of some other parastatals is being considered in order to stem financial troubles.[1] USAID has implemented the Human Resources Development Project to train managers for the private sector.[2]

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Specific reports of privatization activity---			
SERVICES	AGRI.MKTG.	LIQUIDATION	Marketing monopoly reportedly ended for at least one commodity (see regional entry p.1).
AGRI.	FEEDMILL	PVT. PLAN	Congo Feedmill Project - to transfer a govt parastatal to a private co-op (GPAB). The feedmill was to be turned into a chicken feedmill, potentially adaptable to the production of feed for livestock. The project was never implemented.
SERVICES	AIRLINE	PRIVATIZATION PLAN	Congo Airlines is another potential prospect for full or partial privatization. Presently, the govt is the sole holding party.

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### Sources:

1. ABS, FY 1988, 1990.
2. Congressional Presentation, FY 1989.
3. CFP Project Proposal, Feedmill Project.

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## COTE D'IVOIRE

Economy is relatively open and foreign participation is encouraged. SOEs are mostly agro-industrial, and the government is well-disposed to selling SOEs to buyers who express an interest. The slowed economic growth of the 70s was one major reason for the privatization initiative in Cote d'Ivoire. Privatization in Cote d'Ivoire takes the form of "Ivorianization," with about 50% of shares reserved for Ivorians.[2] A total of 28 parastatals has been privatized. Privatization of telecommunications has been called a distinct possibility.[3] The government has developed a program for 1987-1989 to privatize the seed farms and thus intensify seed production as a part of their strategy to modernize agricultural.[4]

## CFP Contributions

In Sept 1988, CFP sent two experts to Cote d'Ivoire to develop a plan for privatizing four seed farms and a marketing survey for the region.[6]

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Completed privatizations---			
AGRI.	PALM GIL	MGMT CONTRACT	PALMINDUSTRIE - Joint-venture with Ivorian management.
AGRI.	FORESTRY	MGMT CONTRACT	SODEFOR
AGRI.	AGRIBUSINESS	PRIVATE SALE	A Dutch company, UNILEVER, has acquired a substantial share of TRITURAF.
AGRI.	AGRIBUSINESS	PRIVATE SALE	SALCI was taken over by COGEXIM. Govt now owns 24% of shares.
AGRI.	COCOA FACTORY	PRIVATE SALE	PROCASI
MFG.	CARTON FACTORY	PRIVATE SALE	In 1985, SONANCO was sold to Charfa (France), which offered not to lay off any of the Ivorian workers.
MFG.	TOBACCO	PUB. OFFER.	SITAB - the first parastatal to be sold through the stock exchange. The company is very profitable; it covers about 95% of the domestic market.
MFG.	AGRICULTURAL PROCESS.	MGMT CONTRACT	API - management is temporarily under the control of CACAO BARRY of France.
MFG.	RUBBER	MGMT BUY OUT	Les Caoutchoucs de Pakidie
MFG.	SOAP/PALM OIL	MGMT CONTRACT	SODEPALM
MFG.	TOOLS	PRIVATE SALE	IVOIRE OUTILS - taken over by private Ivorian investors.
MFG.	CONSTRUCTION AND PUBLIC WORKS SALE		SONAGECI - assets were sold to CHANTIERS MODERNES.
MFG.	MATCH FACTORY	PRIVATE SALE	SOTROPAL - sold to private Ivorian investors.

SERVICE	WATER EXPLORATION AND DRILLING	MGMT BUY OUT	FOREXI was the first management buy out in the country. It was wholly owned by the State. The company had provided approximately 70% of the country's water sources. As part of the general reforms of the parastatal sector, it was liquidated. Five senior managers opposed the closing and offered to buy the company from the govt. After privatization despite the foreign competition, FOREXI showed increased profits.
SERVICE	TRADE	LIQUIDATION	National Trading Corporation
SERVICE	HOTELS	LEASING	AWKABA (SAGMT Group) - a total of 3 hotels were leased.
SERVICE	HOTELS	MGMT CONTRACT	SIETHO - hotels transferred to municipalities which conclude management contracts with or without them.
SERVICE	HOUSING BANK	PUBLIC SALE	The bank was taken over by Ivorian private investors.
SERVICE	EXPORT	PRIVATE SALE	SHAC - govt owns 50% of shares. Assets sold to private Ivorian investors.
SERVICE	HOUSING	SALE	SOGEFIHA
SERVICE	TOURISM	MGMT BUY OUT	SARECO
SERVICE	HOLDING COMPANY	PRIVATE SALE	SOGIEXI - diversified product group. State participation was sold to a Swiss group by decree. Toyota division of automobile distribution was sold to Ivorian private investors.
SERVICE	WATER DISTRIBUTION	LEASE	SODECI - Quoted on the Abidjan stock exchange, the majority shareholding of SODECI is private. Company leases the water distribution facilities under a "Contrat d'Affermage".

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Sources:

1. Congressional Presentation, FY 1989
2. "Privatization in The Ivory Coast", Dr. E. Wilson III.
3. CFP Project Report # 7200-52.
4. Republique de Cote d'Ivoire, Documents Annexes.
5. US Embassy cable (Abidjan 13291, 6/28/88); Dept. of State cable (State 252973, 8/5/88).
6. Candoy-Sekse, Rebecca and Anne Ruiz Palmer, "Inventory of Country Experience & Reference Materials," vol.III of Techniques of Privatization of State-Owned Enterprises, World Bank Technical Paper 90, 1988.

**DJIBOUTI**

The service sector dominates the economy. There has been no evidence of privatization, and for the fiscal year 1989, the govt is to receive only economic support from USAID.[1] However, this Economic Support Fund activity does not contain components that have potential for privatization.[2]

## Sources:

- 1 Congressional Presentation, FY 1989.
- 2 ABS, FY 1990.

**EQUATORIAL GUINEA**

The government of Equatorial Guinea has sold shares in several enterprises. USAID funds programs to promote increased agricultural production and the development of the private sector.[2]

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Specific reports of privatization activity---			
AGRI.	FORESTRY	COMMERCIALIZATION	EMPRESA FORESTAL DE GUINEA ECUATORIAL - Limited liability formed with the govt as the major shareholder.
MFG.	BRICKS	COMMERCIALIZATION	FABRICA NACIONAL DE LADRILLOS - Limited liability formed with govt as major shareholder. The remaining shares sold to private investors.
SERVICE	AIRLINE	COMMERCIALIZATION	LINEAS AEREAS DE GUINEA ECUATORIAL - Limited liability company formed with govt as majority shareholder. Remaining shares sold to the private investors.
SERVICE	ENERGY	COMMERCIALIZATION	EMPRESA DE ENERGIA - Limited liability formed with govt as major shareholder. Remaining shares sold to private investors.
SERVICE	MARITIME/SHIPPING	COMMERCIALIZATION	AGENCIA MARITIMA - Limited liability formed with govt as the major shareholder. Remaining shares sold to private investors.
SERVICE	TRANSPORTATION	COMMERCIALIZATION	EMPRESA TRANSPORTES LUJO - Limited liability company formed with govt as major shareholder. Remaining shares sold to private investors.

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Sources:

1. World Bank; Congressional Presentation, FY 1989.
  2. Rapp, L., Techniques de Privatisation des Entreprises Publiques.
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## ETHIOPIA

The socialist government of Ethiopia has shown no interest in privatization, rather its policy is to decrease the role of the private sector. More property is being nationalized.[1] The World Bank has been trying to persuade the government to make agricultural and manufacturing price reforms to encourage the private sector, but the official ideological position precludes any real progress.[2] Despite the economic crisis, the privately-owned Ethiopian Airlines operates at a profit with an operating revenue of more than \$150 million. Because it earns valuable foreign exchange for the country, the government has a tacit agreement not to nationalize it.[3]

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Sources:

1. The World Fact Book, 1985.
  2. The Economist, January 20, 1988.
  3. The Economist, December 26, 1987.
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## GABON

Gabon has been following a policy of supporting private enterprise since its independence. Multilateral donor loans, however, have gone to SOEs primarily in the agriculture sector to increase production and encourage development of small farming activities in their vicinity. A per capita income that is second highest in Africa (because of petroleum production) makes Gabon ineligible for most other forms of aid.[1]

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Sources: US Treasury

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## THE GAMBIA

The government emphasizes "de-monopolization" of the public sector and the privatization of parastatals that compete with private sector firms. The GOTG has a comprehensive strategy tying in privatization with civil service and economic reform. A system of "performance contracts" for SOEs and penalties for non-compliance is intended to place operations of SOEs on a competitive basis in preparation for ultimate divestiture. In 1987/88, performance contracts were signed with the Gambia Produce Marketing Board (GPMB), the Ports Authority, and the Utilities Corporation. Monitoring and analysis of these contracts has resulted in the divestiture of many assets and activities of the GPMB, as well as plans for the privatization of ferry services and the dockyard works. Three more contracts will be signed in 1989. The contracts were entered into as a part of USAID's PL 480 Title II Section 206 Program and a food aid agreement. Government holdings in five enterprises have already been divested, and two are currently on the market.[1] There are presently 16 SOEs.[2] With USAID technical assistance, the GOTG is privatizing agricultural marketing functions.[2]

## CFP Contributions

The Center conducted a feasibility study for the privatization of the GPMB, the National Investment Company, and the Auto Maintenance and Repair operations.[4] CFP also developed the privatization plan for the Nyambai Sawmill, which was subsequently privatized in 1987. CFP is working with the National Investment Board (NIB) to improve their management information systems (MIS) which monitor performance contracts in preparation for its divestiture program. It participated in The Gambia's public awareness workshop held in October 1988,[5] and examined prospects for privatization of agricultural mechanization services.[6]

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Completed privatizations---			
AGRI.	FEED MILL	SALE	GMPB-owned; sold
MFG.	SOAP	PRIVATE SALE	GMPB-owned; sold to private investor
AGRI.	RICE TRADE	RESTRUCT.	GPMB's monopoly ended
AGRI.	FERTILIZER TRADE	RESTRUCT.	GPMB's monopoly ended
AGRI.	SAWMILL	PUB. OFFER.	Nyambai Sawmill divested via public tender. CFP developed strategy for its divestiture.
MISC.	SUPERMARKET	PUB. OFFER.	C.F.A.O. Supermarket Chain divested gov't shares by public share offering.
MISC.	FISHING	PUB. OFFER.	2 fisheries plants divested by public tender.
MISC.	FISHING	MGMT/EMPL. BUYOUT	Seagull Coldstore Ltd.
MISC.	TRADE	PRIVATE SALE	National Trading Company - public share offering and employee buy-out. This privatization is in progress expected completion by end of 1988 calendar year.
SERVICES	HOTEL	LEASE	Atlantic Hotel - leased with option to buy.
SERVICES	BANK	PUB. OFFER.	Standard Chartered Bank - no other information.
SERVICES	HOTEL	PRIVATE SALE	Gov't share has decreased from 60% to 49%. Further subscription to the equity of the hotel have been made by foreign private investors.
---Other reports of privatization activity---			
AGRI.	RICE AND COTTON MILLS	UNDER PREPARATION	GPMB-owned

SERVICE	TELECOMMUNICATIONS	COMMERCIALIZATION	GAMTEL - performance contract to be signed in 1989.
SERVICE	HOUSING & SOCIAL SERVICES	COMMERCIALIZATION	Social Security and Housing Finance Corporation - performance contract to be signed in 1989.
SERVICE	PUBLIC TRANSPORTATION	COMMERCIALIZATION	Public Transportation Corp. - performance contract to be signed in 1989.
SERVICE	WELL DIGGING	PRIVATIZATION PLAN	GOTG wants to transfer completely by 1990.[2]
MFG.	BREWERY	PRIVATIZATION PLAN	GOTG decided to divest 9% of holdings with first preference to employees and hoteliers, and if the number of employees is not sufficient, then the capital shares would be open to distributors.
SERVICE	INSURANCE	PRIVATIZATION PLAN	Privatization plan to open the company (which has been turned into a limited liability) to domestic private participation.
SERVICE	BANK	PRIVATIZATION PLAN	With the World Bank assistance, GCDB is to open its share capital to foreign and domestic investment.
SERVICE	AIRLINE	PRIVATIZATION PLAN	Privatization will take place upon the final review of agreements between the govt and the British Caledonian Airlines.
SERVICE	TRADE	PRIVATIZATION PLAN	to be transferred into a limited liability and the capital share is to be opened to domestic private participation.
SERVICE	TRANSPORT	PRIVATIZATION PLAN	Discussions held with Germany to ascertain support for opening capital share to private participation.
SERVICE	UTILITIES	PRIVATIZATION PLAN	Gas retailing is to be sold by way of a private placement.
MISC.		PRIVATIZATION PLAN	GMPB-owned assets targeted for privatization: real estate holdings, construction, briquette making.
SERVICE	TRANSPORT	PRIVATIZATION PLAN	Plan to use either leasing, fragmentation or sale of assets and thus privatize the ferries, the dockyard and their operations.

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Sources:

Candoy-Sekse, Rebecca and Anne Ruiz Palmer, "Inventory of Country Experience & Reference Materials," vol.III of Techniques of Privatization of State-Owned Enterprises, World Bank Technical Paper 90, 1988  
 CFP projs.5,31,112,7231-110  
 Dept. of State cables (State 178560, 6/3/88, Banjul 1453, 6/13/89)  
 West Africa article, 5/27/88

## GHANA

Parastatal sector is made up of 181 wholly-owned and 54 majority-owned SOEs. A 1985 government-commissioned study performed by consultants led to three-year reform program to increase efficiency through layoffs in the civil service, liberalization and privatization. 20,000 have been laid-off from SOEs and a further 25,000 from the Ghana Cocoa Board. Shortcomings in plans to compensate and redeploy the workers have plagued the reform programs. Currently, there are 32 businesses to be divested, half of which had been expropriated. 11 of these are to be liquidated. 22 public service enterprises are prohibited from being sold.

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Completed privatizations---			
AGRI.	DAIRY PRODUCTS	JOINT-VENTURE	KWAHU DAIRY FARMS - Joint-venture formed between the govt of Ghana and an Austrian private firm.
AGRI.	SUGAR	COMMERCIALIZATION	KOMENDA & ASUTUARE - taken out of GIHOC to form GHASE, a limited liability company.
AGRI.	SUGAR	CONTRACT/SALE	GHANA SUGAR ESTATES - Govt signed contract to divest the sugar estates by management contract and by private sale of shares.
AGRI.	COCOA PLANTATIONS	PRIVATE SALE	sold estates to private individuals and reduced processing and transport role of government.
EXTRACTION	MINING	MGMT CONTRACT	STATE GOLD MINING CORP OF GHANA - A management contract was signed with CANADA-GHANA MINING GROUP, in 1985.
EXTRACTION	ALUMINUM	MGMT CONTRACT	VOLTA ALUMINUM CO. - contract awarded to KAISER ALUMINUM (USA).
MFG.	STEEL	PRIVATE SALE	DL Steel
MFG.	COACH BUILDING	PRIVATE SALE	NEOPLAN - no further info available.
MFG.	BUS AND COACH ASSEMBLY	PRIVATE SALE	WILLOWBROOK BUS Co.
MFG.	CEMENT	MGMT CONTRACT	GHACHEM Ltd. - Management contract signed with NORCEM of Norway resulted in improved management.
SERVICES	TRADING COMPANY	MGMT CONTRACT	GHANA NATIONAL TRADING CORP. - A retired UNILEVER executive was appointed head of the management team. The new management led the company from bankruptcy to a modest profitability in 1983.

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Sources:

West Africa. June 27, 1988

ABS & Congressional Presentation, FY 1989

Candoy-Sekse, Rebecca and Anne Ruiz Palmer, "Inventory of Country Experience & Reference Materials," vol.III of Techniques of Privatization of State-Owned Enterprises, World Bank Technical Paper 90, 1988

"In Ghana, even a senior official can't make ends meet" Christian Science Monitor 13 Sept 1988, p.8.

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## GUINEA BISSAU

The government wants to decrease excess government employment, decrease public investment, eliminate the public fiscal sector and, instead, promote the private sector. As part of a stabilization program initiated in 1983, 27 of the 270 retail outlets which were taken over after the independence were privatized. The government is contemplating the privatization of its import-export and other trade functions. Most price controls have already been removed.[1] In 1987, the World Bank did an in depth study of the private sector in Guinea Bissau. Experts will visit Guinea Bissau to discuss strategies for privatization.[2]

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Sources:

1. Congressional Presentation, FY 1989.

2. US Embassy cable (Bissau 1894, 7/14/87).

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## GUINEA CONAKRY

In 1985 the government launched a series of economic reforms directed towards elimination or privatization of almost all SOEs. Nineteen enterprises were earmarked for liquidation, 12 closed pending privatization and 4 closed for restructuring. Eleven others were to be retained in the public sector, but it was later decided to privatize all of them.(1) Other reports claim that a total of 43 enterprises have been targeted for privatization.(2) The pace of privatization would have been more brisk had the government followed a well-defined strategy in implementing its privatization plans. There seems to be no clear cut criteria on the selection of SOEs for privatization work. Changes in the investment code and other related policies have been made(3) and in spite of persistent obstacles, more than twenty industrial enterprises have been privatized since December 1985.(7)

### CFP Contributions

CFP conducted an in-country assessment of the environment for privatization throughout Guinea Conakry. It identified and evaluated key issues to be addressed in the country's divestiture strategy. It also developed illustrative selection criteria for state enterprises to be selected for privatization and demonstrated the application of these criteria to three manufacturing companies (CMD, SOGUIFAB & SOGUIREP) at the request of the Ministry Of Small & Medium Enterprises. The study made specific recommendations for implementing Guinea's privatization program. However, implementation did not proceed.(4) In an another study carried out at the request of the government, CFP experts determined the strategy and level of effort needed for liquidating/restructuring and privatizing the 4 agricultural parastatals (FRUITEX, SEMAPE, AGRIMA & PROSECO) which were part of the USAID mission's policy dialogue/conditionality program with the government.(5) According to latest reports, the government is still reviewing these parastatals.

## Center for Privatization

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<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Completed privatizations---			
AGRI.		PRIVATE SALE	GARI KINFIA - sold over to private investors.[6]
AGRI.		PRIVATE SALE	MARAIS - SALANTA
AGRI.		PRIVATE SALE	SUCRERIE BANIAN
AGRI.	VEGETABLE OILS PROCESSING	PRIVATE SALE	SOPAG (total value of GFr 980 million) - 51% was sold to foreign investors. 39% of the shares were bought by local investors. Govt retains 10%.
AGRI.	FRUIT JUICE	PRIVATE SALE	USEN JUS DE FRUIT KANKAN - sold to VANGELATOS for GFr 23 million.
MFG.	CIGARETTES	PRIVATE SALE	51% of the shares of ENTA TABAC (total value GFr 186million) were sold to CAITA/ROTHMANS of France & U.K. 29% of the shares were offered to local private investors and the remaining 20% retained by the govt.
MFG.	BAKERY	PRIVATE SALE	SIPAG (total value GFr 31 million) was sold to UNIBRA (Belgium) and local investors. UNIBRA's bought 51%, local investors 39%; govt retains 10%.
MFG.	PAINTS AND PESTICIDES	PRIVATE SALE	66% of SIPECO, a paint manufacturing company (total value GFr 68 million) was purchased by a French company, SOGEREF. 24% of the shares were bought by local investors. 10% was retained by the govt.
MFG.	FARM IMPLEMENTS	PRIVATE SALE	75% of USOA (total value Gfr 20 million) was sold to foreign investors. Remainder is held by local investors.
MFG.	MATCHES	PRIVATE SALE	41% shares of SOPRAG (total value of GFr 235 million) was sold to foreign investors. 49% were bought by local investors and 10% retained by the govt.
MFG.	STONE AGGREGATES	PRIVATE SALE	51% of SOMIAG (total value GFr 682 million) sold to foreign investors. Local investors bought a further 19% and 30% shares were retained by the govt.
MFG.	BREWERY	PRIVATE SALE	51% of SOBRAGUI (total value GFr 235 million) sold to UNIBRA (Belgium). 34% of the shares were purchased by local investors. The govt retained 15% of the shares.
SERVICE	CONSTRUCTION	PRIVATE SALE	SOPROCIMENT sold to a Belgian company in the beginning of 1988.
MFG.	COTTON TEXTILES	PRIVATE SALE/LEASE	Govt retains 40% ownership.

MFG.	BRICKS	PRIVATE SALE	BRIQUETTERIE DE KANKAN was sold for GFr 285 million to a private company, SIDAF, in 1987.[8]
MFG.	CONSTRUCTION	PRIVATE SALE	SONACAG CARREAUX - AUDEMARD/EGCEC (France) acquired 51% of shares. 19% have been allotted to local investors while the govt has retained 30%.
MFG.	SOFT DRINKS	PRIVATE SALE	BONAGUI (total value GFr 85 million) - 70% of were shares were sold to Overseas Coca-Cola (Belgium/US) and 30% were sold to local investors.
SERVICES	AIRPORT	MGMT. CONTRACT	CONAKRY AIRPORT - Management contract awarded to a private service company technically supported by AEROPORTS DE PARIS. As per the contract, the service company took over all the debts of the airport. However, in case of future deficits, the company was entitled to guaranteed loans from the govt.[6]
SERVICES	MARITIME	LEASE	PORT OF CONAKRY - Operation which was initially run by four SOEs - PAC, ENTRAT, SNG & SOMIDRAT - have now been leased out to a consortium of private investors.[6]
SERVICES	PRINTING	PRIVATE SALE	IMPRIMERIE DE LA REPUBLIQUE was sold to Ibrahima Sory Toure N'Famara Camara for GFr 20 million.

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Sources:

1. Congressional Presentation, FY 1989 Annexure 1.
2. IMF Working Paper, Hemming and Mansoor, Jan 1988.
3. Dept. of State cable (State 371599, 11/29/86).
4. CFP Report 18
5. CFP Report 33
6. World Bank reports
7. CFP Privatization dialogue Dec 11, 1987.
8. Candoy-Sekse, Rebecca and Anne Ruiz Palmer, "Inventory of Country Experience & Reference Materials," vol.III of Techniques of Privatization of State-Owned Enterprises, World Bank Technical Paper 90, 1988.

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## KENYA

The consensus among officials is that privatization is viable mainly for poorly performing SOEs, not as a proactive policy for development. At present there are 137 SOEs, and as of yet, little has actually been done towards their privatization. A government divestiture commission established in 1983 cited as reasons the absence of a formal capital market, the narrow field of potential buyers acceptable to the government and the country's own relative economic success in Africa. USAID in conjunction with the World Bank is helping the government create a Capital Market Development Authority (CMDA), the goal of which would be to develop and monitor financial markets. The government anticipates the CMDA to be in place by early 1989. Officials have agreed that privatization should be considered within the overall financial markets development program.[1]

## CFP Contributions

A 1988 CFP study found that the domestic investment potential (even among "indigenous" Kenyans, to whom any divestiture is limited) was much greater than thought by the GOK (see Kenyan Commercial Bank below). CFP's consultants found support for privatization of some type among lower level government officials.

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Completed privatizations---			
MFG.	TEXTILES	MGMT. CONTRACT	KENYA TEXTILES [1]
MISC	FISHERY	PRIVATE SALE	KENYA FISHERIES [1]
---Other reports of privatization activity---			
AGRI.	MEAT PROCESSING	PRIVATIZATION PLAN	The Uplands Bacon Factory was advertised for sale in EEC as one of the investment opportunities available in Kenya. Offers made by interested parties have continuously been rejected by the govt due to what it considered low bids. Increase in debts due to high operating expenses have further added to the govt's dilemma.
SERVICES	BANKING	PUBLIC OFFER.	Kenyan Commercial Bank (KCB) - share offering of 20% of the shares were sold; offering was oversubscribed 3 times. These shares were reportedly to be sold only to individuals to prevent institutions crowding out small investors. No further sales are planned for the immediate future.

## Sources:

ABS FY 1990

Financial Times, 7/21/88.

Leeds, CFP report draft 8/23/88

Dept of State cable (State 132708, 4/27/88)

Privatization International, Apr 1989.

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## LESOTHO

Landlocked within South Africa, Lesotho relies almost entirely on South African trade. There has been no element of nationalization; private, competitive enterprise is encouraged as well as foreign investment. Several enterprises, however, are still under state supervision. The Ministry of Interior is responsible for implementing privatization, and the government's fourth five-year plan does include a privatization component. The IMF/World Bank Structural Adjustment program also requires the divestiture of certain SOEs. Concerned with potential economic domination by South Africa in a completely free market, the government prefers to retain the control in many parastatals. In June 1988, USAID signed a \$15 million Lesotho Agricultural Policy Support Program to promote the privatization of Coop Lesotho, thereby increasing the role of the private sector in agricultural input supply and livestock output marketing.[1] USAID is focusing its private sector development initiatives on public health, rural development projects (water, agricultural inputs, and marketing cooperatives).[2]

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### Sources:

1. ABS, FY 1990.
2. ABS, FY 1988; ABS, FY 1989

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## LIBERIA

There are 26 SOEs in Liberia - 21 non-financial and five financial.[1] A commission was established to negotiate the sale of public corporations or to enter into management contracts to operate them. It identified 11 corporations as targets for privatization. Of these, three have been privatized and efforts for the rest are being initiated.[2]

### CFP Contributions

CFP carried out a feasibility study for the possible privatization of the Liberian Sugar Company, including a detailed economic and financial analysis and a preliminary valuation of machinery and other facilities.[3]

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Completed privatizations---			
EXTRACTION	IRON ORE PRODUCTION	MGMT. CONTRACT	A management and technical services agreement was signed with MET-CHEM CANADA, INC. in 1982 to look after the operations of the National Iron Ore Company, Ltd.[4]
EXTRACTION	PETROLEUM REFINING	PRIVATE SALE	60% shares of the LIBERIAN PETROLEUM REFINING COMPANY were sold to LINKOIL INTERNATIONAL INC.(US) for US 9 million in Sept 1987. The govt retained 40% of the shares.(4)
MFG.	IRON & STEEL	MGMT. CONTRACT	Contract awarded to a Japanese consortia, AMAX LIBERIA to run the operations of the LIBERIAN IRON & STEEL CORP.

---Other reports of privatization activity---

MFG. SUGAR PRODUCTION PRIVATIZATION PLAN CFP performed study of possible privatization of the state-run sugar mill.[5]

## Sources:

1. IMF Working Report, Hemming & Mansoor - January 1988.
2. US Embassy cable (Monrovia 7392, 7/15/87) & ABS FY 1990.
3. US Embassy cable (Monrovia 4325, 4/28/88).
4. World Bank staff reports
5. CFP Report 111, 2/89

**MADAGASCAR**

There are 130 SOEs in Madagascar. The government is considering the privatization of many of the SOEs that fell under state control under a previous government's policy of centralized planning. Five enterprises have been closed and 15 have been targeted for sale.[1] As part of the rehabilitation program for SOEs, the government has decided to accept 49% of foreign equity participation in selected enterprises.[2] Another five service industry SOEs have been leased out, but by far the most significant example of privatization is of rice production in Alastra region. The government intends to privatize other agricultural enterprises and would also like to privatize certain parts of the transport industry.[3] Coopers & Lybrand was engaged in 1986 by USAID to review the 35 chief parastatals in the agriculture sector and to identify the five or six that were most ripe for state disengagement. C&L has further been contracted to assist the government in the actual privatization of the firms identified.[4]

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Specific reports of privatization activity---			
AGRI.	RICE, COPRA, TEA	PRIVATIZATION PLAN	As per the recommendations made by Coopers & Lybrand, the govt has decided to privatize its largest rice parastatal, SOMALAC. The SOE is likely to be leased out to a private sector operator. C & L has also been asked to assist with the divestiture of SOVIANO, a copra producer, and the restructuring of SOTHEMAD, a tea exporter.[4]
AGRI.	PINE, CASHEWS	PRIVATIZATION PLAN	The govt has decided to privatize FANALAMANGA, a major pine plantation, and FAMAMA, a cashew plantation with good export potential. Details are being worked out.[4]

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Sources:

1. Berg & Shirley, "Divestiture in Developing Countries," World Bank Discussion Papers 11, 1987
2. South, July 1988
3. Hemming & Mansoor, "Privatization & Public Enterprises," IMF Study Paper, 1988
4. ABS FY 1990

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**MALAWI**

There are a total of 35 SOEs in Malawi. Twelve are in the commercial sector, six are considered quasi-commercial and 17 are otherwise supported by the government. A Ministry of Finance White Paper of April 1986 recommended a specific strategy for restructuring and divesting assets of the largest parastatal holding company, the Agricultural Development & Marketing Corporation (ADMARC). ADMARC, with an asset base of US\$ 52.48 million, has equity investments in 36 companies. Under the divestiture plan, 3 companies, 2 development estates and 7 agricultural estates were fully divested, and the sale of 7 estates was in progress. Four companies will be divested via a unit trust, seven will undergo partial divestment and two will be restructured before being divested. The divestiture of ADMARC is being carried out through a grant agreement signed between the government and USAID.[1] USAID is also providing technical assistance to study financial markets and the impact of privatization of agriculture marketing. As a consequence of one study, the national smallholder fertilizer supply system has recently been severed from ADMARC and established as an independent trust to increase its efficiency and protect against decapitalization.[2] As of March 1989, the aggregate value of the assets divested totalled US\$12.9m.

**CFP Contributions**

During the course of their parastatal reconnaissance field survey in Malawi, CFP experts identified SOEs that would be eligible for a proposed Pre-Export Revolving Fund. The bulk of the exports of Malawi are produced by the SOEs, the PERF aimed to support these SOEs in their efforts to bolster exports as a prelude to privatization. CFP experts helped USAID in identifying potential SOEs in Malawi which by their enhanced capability to export would be attractive to private investors. The PERF project, however, was subsequently cancelled.[1]

CFP also evaluated the on-going ADMARC divestiture program for the government on behalf of the USAID mission. Initial findings highlight growing interest among officials in privatization, significant injections of new capital, and improve technical and managerial skill in many of the properties involved.

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Completed privatizations---			
SERVICES	AIRLINES	MGMT. CONTRACT	Air Malawi [1]
AGRI.	SEED	PRIVATE SALE	National Seed Company (ADMARC holding) has sold 55% of its shares to Cargill Int'l. One of the most important of the estates sold, negotiations for its sale were completed in 3/89.
MFG.	TRUCK/BUS MANUFACTURER	PRIVATE SALE	PEW Co. was 100% sold to MALTRACO

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AGRI.	FARM LAND	PRIVATE SALE	18 government agricultural estates were/are to be sold to private individuals.
AGRI.	TEA & MACADAMIA	PRIVATE SALE	Kuvazi (tea estate) and Mzenga (macadamia nut estate) sold outright to the Kawalazi Co., a neighboring estate majority-owned by another parastatal (CDC).
---Other reports of privatization activity---			
AGRI.	MILLING	PRIVATE SALE	Gramill - Solicitations have been made and preliminary negotiations are in progress.
AGRI.	AGRICULTURAL MARKETING	PRIVATIZATION PLAN	ADMARC has divested MK 34.6m (US\$12.9m) out of its estimated MK 47m (US\$17.6m) in equity holdings initially targeted for divestiture. For remaining MK 17 million in equity shares, ADMARC will continue divestiture of up to MK 15 million in assets. It will also develop and put in place a strategy for dealing with any assets that remain unliquidated. USAID is reviewing an evaluation study performed by CFP in early 1989.

Sources:

AID FY 1990

ADMARC evaluation study, draft, June 1989

**MALI**

The government has developed a plan to diminish the role of the public sector, which consists of 40 to 50 non-financial and six financial institutions[1]. Seven enterprises have been closed already and more than 2,500 employees laid off. Extensive analysis has been carried out on many of the SOEs, and as a result, many have been targeted for extensive rehabilitation, re-organization, divestiture or closure (see below for further details)[2]. Continuation of privatization is expected as the government embarks on a World Bank project for the re-organization of SOEs. USAID has also been playing an important role in facilitating privatization in Mali.[2] Under a livestock project started by the government it is supporting much of the feasibility analysis required to implement privatization of veterinary services, and the Cereals Marketing Restructuring Project (CMRP) is aimed at privatizing cereals markets.[7]

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Completed privatizations---			
AGRI.	TANNING	MGMT. CONTRACT	The govt reached agreement with a Chinese company in 1984 for management of the Mali Tanning Company in exchange for a guaranteed purchase of hides.(6)

SERVICES	AIRLINES	LIQUIDATION	The national airline of Mali, Air Mali, was dissolved and routes leased out to other airlines. The aircraft owned by the airline were leased to Argentina.(3)
MISC	TEXTILES	PRIVATE SALE	ITEMA (textiles), CMTR AND SHM were the three companies to be privatized through sale of shares to local investors.
MISC		LIQUIDATION	The govt has so far liquidated 7 SOEs: SAT (road transport company) SCAER (agricultural equipment company) SEBRIMA (brick manufacturer) SOCOMA (food processing unit) SOMBEPEC (livestock) SOCORAM (radio assembly unit) SONEA (hide marketing unit). [1]
---Other reports of privatization activity---			
AGRI.	CEREAL MARKETING	RESTRUCTURING	Public sector monopoly on cereals marketing has been abolished by the restructuring of OPAM. Majority of the commercial cereal imports are now financed by private entrepreneurs and local farmers can sell grain on the open market.(4)
SERVICES	HOTEL	MGMT. CONTRACT	Services of SOCIETE D'AMENAGEMENT TOURISTIQUE INTERNATIONALE (SODATI) were contracted by the govt in 1983 under a 5 year management contract in return for annual payments of 3% of sales revenue.(6)
MISC	LIVESTOCK	PRIVATIZATION STUDY	The govt has passed a law for the implementation of privatization of veterinary services and supplies. USAID is assisting in the feasibility analysis being carried out by the govt.[5]

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Sources:

1. IMF Working Paper, Hemming & Mansoor, Feb 1987
2. Privatization narrative, Mali
3. Candoy-Sekse, Rebecca and Anne Ruiz Palmer, "Inventory of Country Experience & Reference Materials," vol.III of Techniques of Privatization of State-Owned Enterprises, World Bank Technical Paper 90, 1988.
4. CFP Abstract 1988.
5. Cable: US Embassy (Bamako # 00725, 2/5/86) & ABS FY 1989
6. Public Enterprise Demand For Management in Sub-Saharan Africa
7. ABS FY 1990.

**MAURITANIA**

There are 39 SOEs in Mauritania, 32 nonfinancial and 7 financial. These have played a major role in the economy since independence but a recent IBRD study has called for their drastic overhaul. The government's policy on privatization is not clearly defined. However, the private sector has been fairly dynamic and independent. Without waiting for a formal government privatization plan it has taken over part ownership in quite a few SOEs (see below).

**CFP Contributions**

CFP assessed the stage reached by the government in the privatization process and the realistic potential for privatization of parastatals.

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Completed privatizations---			
AGRI.	FARMING	PRIVATE SALE	M'Pourie state farm being sold to peasant organizations over period 1985-1990.
AGRI.	FOOD	MGMT. CONTRACT	Mauritania Food Co.
MFG.	TEXTILE MILL	LIQUIDATION	SNC
MISC		PRIVATE SALE	Reduction of govt share from 100% to 30%: Officie National du Cinema (a national movie company), SONACO (cloth manufacturer), SPAM (fishing); from 51% to 10%: Banque Arabe Africaine en Mauritanie.

## Sources:

IMF Working Paper, Hemming & Mansoor Feb 1987  
CFP Project 7200-004  
World Bank

**MAURITIUS**

Primary economic resources are agriculture and a growing export-oriented industrial sector. Prior to the spectacular growth of the Export Promotion Zone (EPZ), the economy was dominated by sugar production, which accounted for 90% of the area under cultivation. Manufacturing now has swung the country's balance of payments into a surplus and boosted the GNP to one of the highest in sub-Saharan Africa.[1] There is no information on the divesture of SOEs.

## Sources:

Congressional Presentation, FY 1989

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## MOZAMBIQUE

A socialist government is still operating several companies on an "intervened" status, yet in order to enhance efficiency it has made several moves toward privatization. As of yet, no complete divestitures have taken place, but there has been some deregulation of the economy. The central bank, the development bank and the Ministry of Industry and Energy are said to be planning for privatization. The government is transferring the custodianship of intervened firms to autonomous entities which will better facilitate foreign investment, privatization and joint-ventures.[1] In addition to the intervened firms, the government is studying the possibility of privatization of state farmlands, the construction industry, import and distribution operations.[2]

### CFP Contributions

In July 1988, CFP completed a study on the parastatals eligible for now cancelled Pre-Export Revolving Fund assistance project.

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Specific reports of privatization activity---			
AGRI.	COTTON & VEGETABLE FARMS	PRIVATIZATION PLAN	The World Bank is rehabilitating these failed estates under LOMACO, a new joint-venture company, majority-owned by the multinational enterprise, LONHRO, and minority-owned by the govt.
MISC		STUDY	The following were identified as possible candidates for privatization in a recent CFP study: [3] Manufacturas de Borracha SARL (MABOR) Caju de Mozambique EE Empresas Mozambique de Cha (EMOCHA - tea) Fabrica de Conductores Electricos de Mozambique SARL (CELMOQUE) Vidreira de Mozambique EE

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#### Sources:

1. Thompson & Fitch, SADCC report, CFP, July 1988.
2. ABS, FY 1990
3. Thompson & Fitch, SADCC report, CFP, July 1988; CP FY 1989.

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## NIGER

The latest five-year plan of the GON outlines efforts to liberalize marketing practices, decentralize control and promote the growth of the private sector.[1] USAID's strategy is to increase production and rural incomes by encouraging privatization. The World Bank is the lead donor in rationalizing SOEs through parastatal reform and privatization. USAID is also pursuing a study on the financial markets in order to promote the development of credit unions. There are 18 firms that have been targeted for privatization, including parastatals in the marketing and distribution of agricultural exports. In 1986, a total of nine companies were privatized through private sale.[2]

## Center for Privatization

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<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Specific reports of privatization activity---			
AGRI.	MILLET PRODUCING	PRIVATE SALE	SOTRAMIL was fully privatized in 1986.
AGRI.	RICE MILLING	PRIVATE SALE	Riz du Niger (RINI) - Prior to partial privatization in 1986, RINI consisted of two companies of management and operating, with govt retaining the ownership of three rice mills. Marketing was in private hands.
MFG.	TEXTILE	PRIVATE SALE	SONITEXTIL - Partners bought the govt's minority shareholding (39%) in 1986.
MFG.	PAPER	PRIVATE SALE	SOPAC paper company had a net loss of FCFA 65M in 1983. In 1986, the company was bought by its existing partners.
MFG.	HIDES AND SKIN	PRIVATE SALE	SNCP
MISC.	ARTS AND CRAFTS	PRIVATE SALE	CENTRE DES METIERS D'ART DU NIGER - After a net loss of FCFA 30 million, the company was transformed into a cooperative. As of 1986 CMAN was fully privatized through sale to UNC.
SERVICES	INSURANCE	PRIVATE SALE	LEYMA was acquired through a joint-venture of the DEVELOPMENT BANK OF NIGER with Nigerian interests. The firm was partially privatized in 1986.
SERVICES	FREIGHT FORWARDING	PRIVATE SALE	In 1983, NITRA had a net loss of FCFA 200M. In 1986, after the sale of remaining 30% shares, retained by the govt, the company was fully privatized.
SERVICES	PETROLEUM DISTRIBUTION	PRIVATE SALE	SONIDEP - 1983 net profit of FCFA 709M. Some of the gas stations leased to private operators were sold. Distribution arm is fully privatized. The functions of SONIDEP include procurement, distribution and reserves of petroleum. 1986, retailing of petroleum was privatized through leasing. The govt is to contract for storage capabilities.
AGRI.	MARKETING	LIQUIDATION	Marketing monopoly reportedly ended for at least one commodity (see regional entry p.1).

## Sources:

Congressional Presentation, FY 1989.

ABS, FY 1990; Candoy-Sekse, Rebecca and Anne Ruiz Palmer, "Inventory of Country Experience & Reference Materials," vol.III of Techniques of Privatization of State-Owned Enterprises, World Bank Technical Paper 90, 1988.

The government controls over about 100 nominally semi-autonomous commercial enterprises, along with several governmental bodies with some degree of commercial activity. An official mandate to privatize dates from the early 1980s, when 160 SOEs, including the national bank, were first targeted, but progress was slowed by widespread adversity to foreign ownership and ethnic/regional disputes. A July 1988 decree targetted 67 SOEs for full divestiture by June 1990 (see below) and 43 others for partial privatization, in only 12 of which the state will retain a majority holding. 25 others, including many SOEs that pose both the greatest financial drains and the most political difficulties to being divested, have been selected for commercialization. These include most large public utilities, the petroleum and mining authorities, telecommunications, electric power and a steel company. The government hopes that the privatizations will cut subventions and the government's role in the economy, help develop local capital markets, and to create widespread share ownership. For each issue of stocks, 600,000 prospectuses are to be distributed throughout the country. In a few cases where the gov't's share is deemed to small to warrant a public offering, shares will be offered first to those firms' employees, then to other interested parties. Inadequate access to sufficient credit has hindered many from taking advantage of the sales, but the government is encouraging banks to extend credit whenever possible.

### CFP Contributions

A CFP expert addressed a Nigerian Securities & Exchange Commission symposium on privatization. The major elements of the address were adopted by the conference and included in the set of resolutions put forward to the President.

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Completed privatizations---			
SERVICE	OIL MKTG./DISTRIB.	PUB. OFFER	African Petroleum (AP) - public share offering planned for 1989. GON to sell half of its 80% share. Minimum block of share (200) valued at 350 naira (US\$45), just within reach of general public (1986 GNP US\$640). Sales to be finalized by June 1989; secondary trading to start Aug 1989.
AGRI.	AGRI. MARKETING	LIQUIDATION	The Nigerian govt in June 1986 announced the abolition of all agricultural marketing boards.[3]
MFG.	BREWERY	PRIVATE SALE	Golden Breweries
MFG.	STEEL	PRIVATE SALE	Steel Impressions
---Other reports of privatization activity---			
DIVERSIFIED	CORN MILLING, BULK BAG	PUB. OFFER	Flour Mills of Nigeria Ltd. - First transaction of Nigeria's current privatization program. All of GON's shares (10.6%) were sold raising \$750,000.
SERVICES	BANKING	PUB. OFFER.	National Bank of Nigeria.[2]
SERVICES	INSURANCE	PUB. OFFER.	United Nigeria Insurance Co. Ltd. - to be fully privatized June 1989

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SERVICES	OIL MKTG./DISTRIB.	PUB. OFFER.	National Oil & Chemical Co. Ltd. - Govt to sell one third of it 60% share in June 1989; network of over 300 service stations.
MFG.	TEXTILES	PUB. OFFER.	ABA Textile Mills Ltd. - to be fully privatized June 1989
MISC.			SOEs in which 100% of GON's equity is to be fully privatized: Nigeria Hotels Ltd. Dunbar Hotel Ltd. Central Water Transportation Co. Ltd. Nat. Cargo Handling Ltd. Nigerian Dairies Co. Ltd. Nigerian Nat. Fish Co. Ltd. Nat. Grains Production Co. Ltd. Nat. Poultry Production Co. Ltd. Nat. Root Crops Production Co. Ltd "and other such food production companies." Nigerian Nat. Shrimps Co. Ltd. New Nigerian Salt Co. Ltd. Nat. Fruit Co. Ltd. Nat. Salt Co. Ltd., Ijoko Specomill Nigeria Ltd. South-East Rumanian Wood Industries Ltd., Calabar Nigerian-Rumanian Wood Industry Ltd., Ondo Nigerian Yeast and Alcohol Co. Ltd., Bacita Nigerian Film Corp. Nat. Freight Co. Ltd. Nat. Animal Feed Co. Ltd., Port Harcourt Opobo Boat Yard Madara Dairy Co. Ltd., Vom Ore/Irele Oil Palm Co. Ltd. Okomu Oil palm Co. Ltd. Nat. Livestock Production Ltd. Road Construction Co. of Nigeria Ltd. Nat. Film Distribution Co. Ltd. Nigerian Ranches Co. Ltd. Impressit Bakolori Nigeria Ltd. North Breweries Ltd. Nigerian Beverages Production Co. Ltd. West Africa Distilleries Ltd. Nigeria Engineering Construction Co. Ltd. Tourist Company of Nigeria Ltd. (owners of Federal Palace Hotels)

Electricity Meters Company of Nigeria Ltd.  
American Int'l Insurance Co. Ltd.  
Guinea Insurance Co. Ltd.  
Sun Insurance Co. Ltd.  
United Nigeria Life Insurance Ltd.  
Niger Insurance Co. Ltd.  
Mercury Assurance Co. Ltd.  
Crusader Insurance Co. Ltd.  
Royal Exchange Co. Ltd.  
NEM Insurance Co. Ltd.  
Law Union and Rock Insurance Co. Ltd.  
Prestige Assurance Co. Ltd.  
British American Insurance Co. Ltd.  
West African Insurance Provincial Co. Ltd.  
Manchok and Mokwa cattle ranches  
3 poultry production units  
Kaduna Abattoir and Cold Meat market  
Bauchi Meat Factory and Galambi Cattle Ranch  
Minna and Umuahia pig farms  
Kano Abattoir Ltd.  
Giant Cold Store, Kano  
Ayip-Eku and Ihechiowu oil palm companies Ltd.  
Sokoto Integrated Livestock Co. Ltd.  
Motor Engineering Services Ltd.  
Nigerian Yeast Alcohol Manufacturing Co. Ltd.  
Nichemtex Industries Ltd.

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Sources:

1. "In Africa, a Rush to Privatize," New York Times, July 30, 1987
2. Dateline (West Africa), 6/27/88
3. Federal Republic Of Nigeria, Decree # 25
4. "Thorny issues raised by policy reversal" Financial Times, 8 Mar 1989, special survey on Nigeria
5. "A Formidable Timetable: Privatisation," Financial Times, 3/6/89.
6. CFP Project 11.
7. Dept. of State cable (Lagos 4107, 16 Mar 1989)

**RWANDA**

The GOR has demonstrated its commitment to privatization in the creation of the Commission Mixe de Privatization. Lately, economic crisis has shifted the government's focus to immediate budget and balance of payments problems. Privatization of nurseries, bakeries and fisheries had been actively under consideration. The government has, however, shown interest in developing private sector participation in key areas such as transportation, trade and tourism. Bus and taxi service were reportedly privatized in 1979, but few details are available.

**CFP Contributions**

A CFP consultant identified and evaluated key issues to be addressed in GOR divestiture strategy and developed selection criteria for SOEs. The GOR later developed a draft privatization strategy and reviewed it at technical levels. The study includes a series of privatization options from complete divestiture to the "spinning-off" of some functions of certain enterprises to the private sector.[1]

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Completed privatizations---			
MFG.	MATCHES	PRIVATE SALE	USINE D'ALLUMETTES (UDA) - sold to Swedish Match Corp. The govt now has a minority share in UDA.
---Other reports of privatization activity---			
AGRI.	BANANA CULTIVATION	PRIVATIZATION PLAN	OVIBAR was one of the first parastatals that had been targeted for divestiture by the govt. The board of directors of OVIBAR decided to improve its performance before divesting it. The Centrale Comptable et Organization (part of EEC foreign aid to Rwanda) is helping it redirect its product line towards a more profitable market. The strategy seems to be working and privatization is expected to be completed within the next five years.(2)

## Sources:

1. CFP Project Report 6; ABS FY 1990 & 1989; US Dept of State cable 1/27/86
2. ABS. FY 1989 May 1987.

**SÃO TOMÉ & PRINCIPE**

Cocoa plantations that were nationalized at independence seem to be the most visible candidates for privatization. USAID assists the government in increasing cocoa production, upon which the economy is heavily dependent, and is encouraging the eventual movement of the plantations into the private sector.

Sources: CP, FY 1989

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## SENEGAL

In October 1987 the government announced the implementation of the first phase of its privatization plan. Ten SOEs out of a total of 26 have been targeted for eventual privatization. Prior to the announcement of the privatization plan, the government had already privatized eight mixed (public/private) companies.[1] Out of the ten SOEs earmarked for privatization, the government has a majority shareholding in five. Efforts to privatize these companies have stalled due to a lack of financing and poorly developed capital markets. Recent elections have further stalled the program, despite a commitment to selling these companies by Sept 1988. Four companies however have interested investors (see below).[2] The government has begun to close down the state agricultural marketing board, and claims to have begun removing guaranteed producer prices as well as consumer subsidies for food.[3]

### CFP Contributions

A CFP consultant developed terms of reference requested by the government, including policy guidelines for implementation of the Senegal privatization program. CFP also provided a technical assessment for the privatization of SENPRIM, a truck farming enterprise, under which CFP reviewed production, marketing, transportation, financial and legal issues, as well as investor interest. Specific recommendations were made regarding production, provision of inputs, cost reduction procedures and the type of equity participation.[1]

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Completed privatizations---			
AGRI.	MARKETING BOARD	LIQUIDATION	"Phasing-out" has been initiated.
AGRI.	SUGAR	MGMT. CONTRACT	The management of Senegal Sugar was contracted out to a private enterprise to run its operations.(3)
AGRI.	TRUCK FARMING	PRIVATE SALE	SENPRIM (total assets- \$13.8 million) is the leading exporter of vegetables. Its sales have declined over the last 8 years and the company reported a loss of \$750,000 in 1986. Option of privatization seemed attractive since its direct production system rather than contract growing would give private investors the opportunity to fully control production process and maximize earnings. CFP assistance was sought to determine the feasibility of privatizing SENPRIM. CFP reviewed the enterprise's operations pertaining to production, marketing, transportation, financial and legal issues. Also assessed was the potential interest of private entrepreneurs in SENPRIM. Based on the review carried out, specific recommendations were made with reference to the production approach, improved inputs, cost reduction procedures and type of equity participation.(1) According to latest reports, the company has been bought by a French company.(3)

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MFG.	FARM TOOLS, TEXTILES	PRIVATE SALE	SISCOMA (farm tools) and SIV (textiles) - private sale of shares.(1)
MISC	TUNA & TOMATO CANNING	PRIVATE SALE	SNCDs (tuna canning) and SNTI (tomato canning) were both sold through private sale of shares.(3)
MISC	FERTILIZER & LAND DEVELOPMENT	LIQUIDATION	SONAR (seed and fertilizer distribution) and STN (new territory development) have both been liquidated.(3)
SERVICES	SHIPPING & WATER WELL DRILLING	PRIVATE SALE	COSENAM (shipping) and SONAFOR (water wells) were sold through private sale of shares. Govt sold some 38% shares of COSENAM to a local shipping company, EXPRESS NAVIGATION which now becomes the largest shareholder. The govt has reduced its stake from 72% to 34%.(3)
SERVICES	PETROLEUM DISTRIBUTION	PRIVATE SALE	IRANSENCO was sold through private sale of shares.(3)
SERVICES	HOTEL	MGMT. CONTRACT	Senegal Hotels - management of hotel operations contracted out.(3)

---Other reports of privatization activity---

MISC	PRIVATIZATION PLAN	The government has decided to reduce its MAJORITY shareholding in: VACAP (hotel) SAIL (hotel) SICAP (housing agency) SERAS (meat importing and processing unit) DAKAR MARINE (ship repairs); and to reduce its MINORITY share in: BERLIET SENEGAL (a truck assembly unit) HAMO (housing agency) TERANGA (hotel) SPT (tourist agency) SELINE SALOUN (salt extraction unit) The sale of shares is to take through both public offering and private placement and each company will be considered on a case by case basis. Shares have been reserved for Senegalese nationals.(3)
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Sources:

1. ABS FY 1990
2. CFP Report 15
3. "Economic strains test Senegalese democracy" Financial Times, 8 Nov 1988; Candoy-Sekse, Rebecca and Anne Ruiz Palmer, "Inventory of Country Experience & Reference Materials," vol.III of Techniques of Privatization of State-Owned Enterprises, World Bank Technical Paper 90, 1988.

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## SEYCHELLES

A review of the parastatals was performed by USAID in 1987, but there is no privatization plan.

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### Sources:

CP, FY 1989  
ABS, FY 1990.

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## SIERRA LEONE

The government is gradually privatizing its portfolio of SOEs. In 1985, the government leased four hotels and closed down a railroad. The World Bank has identified 26 SOEs for possible privatization.

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Completed privatizations---			
EXTRACTION	OIL	PRIVATE SALE	National Palo Oil
SERVICE	4 HOTELS	LEASING	
AGRI.	MARKETING	LIQUIDATION	Marketing monopoly reportedly ended for at least one commodity (see regional entry p.1).

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### Sources:

Berg and Shirley, "Divestiture in Developing Countries," World Bank Discussion Paper 11, June 1987.

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## SOMALIA

The socialist-oriented government of Somalia has recently made strides toward private sector development, privatization and the promotion of foreign investment. Since 1983, privatization has taken place in form of divestiture of state-owned farmlands and a few parastatal poultry farms. The government's policy with regard to the SOEs is to close down enterprises that are not financially viable and privatize others through joint-ventures. However, there is no single focal point for coordinating privatization initiatives in the government. The government promotes private competition with parastatals. Potential candidates for divestiture include hotels, an insurance company, tannery, government printing operations, fisheries and forests. State marketing monopoly reportedly ended for at least one commodity (see regional entry p.1).

## CFP Contributions

CFP investigated the potential for divestiture of several SOEs in 1986, including fisheries, meat processing operations and a coastal development project.

## Sources:

CFP, Privatization Conference, Washington D.C., 7/7/88.

CDSS, FY 1987

"Privatization in Somalia," CFP Report 16.

Dept of State cables (State 137943, 5/2/86; Mogadishu 5568, 5/18/86; Mogadishu 6963, 6/8/88).

## SOUTH AFRICA

8/88

USAID gives no direct assistance to the government of South Africa, but it does promote the development of black private enterprises through several projects.[1] An ambitious program does exist, and many major SOEs, including the transportation holding company, an electric utility, a steel producer and a fertilizer group, have been targeted for sale.[2]

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
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SERVICES	ELECTRIC UTILITY	STUDY	Eskom - study recommending sale by 1992.[2]
SERVICES	TRANSPORATION	PLAN	South African Transport Services (SATS) - to be incorporated as government-owned corporations as first step to share flotations, possibly beginning in 1990. Holding include South African Airways as well as ports, pipelines and trucking authorities. Railroad to remain state-owned.[2]
MFG.	STEEL	SALE	Isacor - 50% to be sold by end of 1989.[2]

SERVICES	NATIONAL MINT	PRIVATE SALE	to be sold to the publicly quoted reserve bank.[2]
SERVICES	POSTS AND TELECOMS	PLANNING	Advisors to be appointed to develop privatization strategy.[2]

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Sources:

- 1 Congressional Presentation, FY 1989.
  - 2 "South African plans gather pace" Privatisation International, Apr 1989.
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## SUDAN

Sudan reportedly has 136 SOEs that account for around half of the GDP. Most run at less than half of capacity or have ceased production altogether. The government has closed down 10 of which 8 were in the manufacturing sector and one each in agriculture and service sectors. The GOS has now decided to divest five SOEs as part of an agreement with the World Bank on a SDR 7.1 million project designed to reform public enterprises.

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Completed privatizations---			
SERVICES	AIRLINES	PRIVATE SALE	The Sudanese govt approved the sale of Sudan Airways in late 1987.
---Other reports of privatization activity---			
MISC		PRIVATIZATION PLAN	The govt has decided to divest its holdings in the following: Food Industry Corporation Kassala Onion Dehydration Factory a sugar company The Blue Nile Corporation The White Nile Corporation

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Sources:

Hemming and Mansoor, IMF Working Paper, Jan 1988.

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## SWAZILAND

The government is concerned about its lack of information on and control over public enterprises at a time when its financial exposure to the parastatal sector is increasing markedly. Privatization is being viewed as an appropriate instrument for public enterprise reform.[1] The government is setting up a Public Enterprise Unit which will evaluate functioning of its 21 parastatals and identify the ones that are to be privatized.[2]

**CFP Contributions**

CFP assessed the viability and prospects for privatization of the National Insurance Corporation. The CFP recommendations were passed on to the Ministry of Finance for study, and recent changes in the insurance company policy are attributable to CFP's recommendations.[3] CFP also made recommendations to the Ministry of Finance regarding the staffing of the proposed Public Enterprises Unit (PEU).

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Sources:

1. Coopers and Lybrand, 2/11/87.
2. US Embassy cable (Mbabane 3305, 6/17/88).
3. CFP Report 38.

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**TANZANIA**

5/89

Over 400 SOEs in every sector of the economy. The government is developing a privatization strategy as a part of a economy reform program in which Tanzania has received strong financial support from donors. A March 1989 agreement with the IMF will ease repayment terms on a structural adjustment loan conditioned on further reforms. Plans have been made for cooperatives to take over the marketing of agricultural products, and the government has leased 4 hotels to private management and is considering the leasing of 3 more. In 1986, the government started selling state-held land in order to increase production. Private grain traders already control almost 80% of the market.

USAID has promoted the private provision of agricultural transportation services and the contracting-out of rural road maintenance operations. USAID also plans to support private sector involvement in the provision of family planning services, including contraceptive services and supplies.

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Sources:

- Wall Street Journal, 1/27/88
- Africa Now, 8/86
- ABS, FY 1990
- "Tanzania seeks better deal for IMF" Financial Times, 15 Apr 1989. "Tanzania on a potholed road to recovery" Financial Times, 25 Apr 1989.

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**TOGO**

In 1984, the government established the Ministry of Industry and State Enterprises (MISE) to monitor the performance of SOEs and their reform. Between 1984 and 1987, nine companies were privatized. The outright sale of assets was initially too politically difficult for the government, but leasing offered a viable alternative by retaining ownership of assets while still earning income from a formerly loss-making enterprise.[1] Since its first major privatization of a steel mill in 1986, the government has attracted significant amounts of new foreign investment.

<u>Sector</u>	<u>Type of enterprise</u>	<u>Activity</u>	<u>Notes</u>
---Completed privatizations---			
MFG.	STEEL BAR	LEASE	Societe Togolaise de Siderurgie (STS) - was leased in 1984 for 20 years to an American. The company has been running profitably since then and reported an after tax profit of US\$ 372,000 in 1986. The total revenue earned for that period was \$6.2 million. (see CFP mini-case no. 1 on Togo STS)
AGRI.		MGMT. CONTRACT	SOTEXMA - a materiel management contract was signed with a French company 1/84.
AGRI.	DAIRY FARMING	LEASE	SOPROPLAIT was leased out to Fanrnilk, a Danish company in October 1985. It is reported to be running successfully.
AGRI.	EDIBLE OIL PROCESSING	PRIVATE SALE	Industrie des Oleagineux du Togo (IOTO), an edible oil manufacturer was bought Feb 1987 by a French company CFDT (Compagnie Francaise pour le Developpement des Fibres Textiles) and SGGG.
EXTRACTION	OIL REFINING	MGMT. CONTRACT	Societe Togolaise des Hydrocarbures - management contract awarded 8/85 to STSL Shell to operate a storage facility and maintain refinery equipment.
EXTRACTION	MARBLE	RESTRUCTURING	SOTOMA - underwent capital restructuring in August 1986. The total capital now is 500 million CFA. Capital held being, govt- 39%, CIMTOGO- 24%, NORSEN- 37%. Norsen is a Norwegian company that also has a 50% shareholding in CIMTOGO.
MFG.	PLASTICS	RESTRUCTURING	Industrie Togolaise des Plastiques (ITP) - Capital was raised 7/86 from CFA 420 million to CFA 735 million. The govt share is now only CFA 275 million. The remaining capital is held by IFU (Danish Development Agency), FMO (a Danish company) and Wavin (a Dutch company).
MFG.	DETERGENT	PRIVATE SALE	Societe Togolaise de Detergents (net worth CFA 380 million) was sold 11/86 to a Danish company, DOMO KEMI & a private Togolese investor who own 51% and 49% of the equity respectively. IFU has a stake in DOMO KEMI's 51% share of the equity.
MFG.	TEXTILES	PRIVATE SALE	Two textile factories, ITT & TOGOTEX were bought in Feb 1987 by a US/Korean Group, Penn Africa, with loan from BOAD (West African Development bank) and loan and equity participation from IFC. Total value of the sale was US\$ 30 million.

---Other reports of privatization activity---

EXTRACTION	SALT EXTRACTION	PRIVATIZATION PLAN	Togo Salt Mining Co. (SALINTO) - the govt has decided to sell the assets of SALINTO, a salt mining company. The SOE is being analysed for further specific action. SALINTO'S management is already under PROMOTEC, a private company that also owns 34% of the assets.
MFG.	IRON SHEETS	PRIVATIZATION PLAN	The govt has expressed keen interest in selling of its 50% equity stake in SOTOTELES (iron sheets manufacturer). Sales revenues for 1985 were CFA 1.7 billion. Though a lot of interest has been expressed by local and foreign investors, an official proposal for purchase is yet to be received. The remaining 50% of SOTOTELES is owned by SOCINVEST and other foreign private shareholders.
MISC		PRIVATIZATION PLAN	The govt has plans to privatize the following: CENETI (a computer studies/information center) SITO (a real estate company) SOTED (a development studies company) OTODI (a recording studio) Ferme Avicole de Baguida (poultry farm) Agou Nyogbo artisan coop
SERVICES	ROAD TRANSPORTATION	PRIVATIZATION PLAN	Societe Nationale de Transportes Routiers (SNDTS) - the govt has decided to divest its 60% share in SNDTS, a bus operation. As of now, the equity stake of the remaining shareholders is: local entrepreneurs-10%, CAT (a Renault subsidiary)-25% & SAGA-5%. Negotiations are on with a Danish company for possible sale of the govt's share of the equity.

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Sources:

World Bank  
CFP Privatization Dialogue, 12/11/87.  
Togo Information Service

In its second year of an economic restructuring program, the government has reaffirmed its commitment to free enterprise and economic freedom, but in balance with the public sector, which is seen as a bulwark against excessive exploitation from abroad. The government claims that the public sector makes up only 10% of current GDP. Privatization is seen primarily as a way of rationalizing economic activity.[1] The government that came to power in 1985 initiated privatization plans on its own and has already rehabilitated several agricultural firms.[2] Out of the 67 SOEs planned for privatization, 15 are to be sold or returned to the owners and 31 to be sold or closed. Joint ventures in 21 SOEs have been planned in which the government will control 51%.[3] The World Bank and the IMF are assisting the government in its efforts. The Ugandan Development Corporation (UDC), a state investment company, has said it intends to become a minority shareholder in most of those companies in which it has a majority interest and invest the proceeds in new ventures. If new investment is not forthcoming, the UDC plans to liquidate many of its assets.[4] The government has already "denationalized" a total of 7 firms.[5]

### **CFP Contributions**

Studied the Custodian Property Board and developed a strategy, scope of work and budget for a program to divest properties that had been previously nationalized, including mechanisms to value assets and compensate the old owners.

Conducted a major conference on privatization sponsored by the government, the Uganda Commercial Bank and USAID. Attendees and speakers, including the President of Uganda who made an important policy address, as well as the scope of debate, considered the conference an important step in improving the dialogue on privatization.

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### **Sources:**

1. "Keep mixed economy" New Vision (Kampala), 24 Apr 1989, p.1.
2. ABS, FYs 1988/90.
3. World Bank Industrial Sector
4. CFP/IMG Seminar, 7/88 Washington DC.
5. Candoy-Sekse, Rebecca and Anne Ruiz Palmer, "Inventory of Country Experience & Reference Materials," vol.III of Techniques of Privatization of State-Owned Enterprises, World Bank Technical Paper 90, 1988.

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### **ZAIRE**

The government's portfolio includes 51 wholly-owned parastatals and shares in 79 mixed enterprises. 20 of the 79 are Zairian businesses which are primarily managed privately. The book value of government holdings is estimated at roughly \$20 million, three quarters of which is wholly-owned. Recently, 21 companies were identified by the government for the first phase of a privatization initiative. Nine are 100% owned by the government and 12 are partially owned by it with ownership ranging from 10 to 50%.[1]

## CFP Contributions

USAID/CFP, in conjunction with the government, reviewed the government's privatization program and made assessments of certain enterprises identified for privatization by the government. The potential for Zairian domestic investment was investigated as well. Specifically, the investigating team identified non-mining activities of the giant copper and cobalt mining parastatal, GECAMINES, as targets for a privatization activity in 1990. GECAMINES, which accounts for 15 to 20% of Zairian GDP has a vast array of subsidiaries not directly related to mining (machine shops, repair shops, flour mills, transportation systems, farms etc). CFP recommended that the GECAMINES subsidiary companies be surveyed, and a maximum of three potentially viable enterprises be identified for privatization and three for liquidation.[2]

## ---Completed privatizations---

AGRI.	VEG OILS, COFFEE & TEA MKTG.	MGMT. CONTRACT	The management of Zaire Palm Oils, Zaire Cocoa and Zaire Tea has been put contracted by the govt to the BEMBA group.[1]
EXTRACTION	MINING	LIQUIDATION	SOZACOM was liquidated in 1985 in favor of returning control over marketing of mining products to GECAMINES, which has more private sector background.(1)
EXTRACTION	REFINING	PRIVATE SALE	20% of Shell Zaire's shares were sold in 1985 to reduce the govt of Zaire's holdings to 40%.(1)
SERVICES	AIRLINES	MGMT. CONTRACT	The management of Air Zaire was contracted out to a French quasi-private airline company, UTA, as of Feb 1986.(1)
SERVICES	SHIPPING	MGMT. CONTRACT	A Belgian specialist company has been has been contracted to handle the operations of Compagnie Maritime Zairoise (CMZ), a shipping company.(5)

## Sources:

1. ABS FY 1989, FY 1990.
2. CFP Project Report 60; US Embassy cable (Kinshasa 00003 4/4/88); Dioh, Barthelémy, "Gécamines: le pari commercial," Jeune Afrique économie, Nov. 1988.

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**ZAMBIA**

6/89

In May 1987, the president of Zambia announced the repudiation of the reforms of the multilateral agencies, hence promoting the increased growth of the public sector, which dominate most sectors of the economy. Consumer subsidies for food, fuel, building materials, etc. have curtailed revenues for SOEs, and many are running at under 25% of their capacity. Some Western analysts claim that without price subsidies of food, Zambia would become a net exporter of food, but attempts to gradually remove food subsidies are being approached with caution, since earlier attempts have led to widespread violence. The government has allowed the negotiation of management contracts for six SOEs.

USAID's approach to private sector development has been largely limited to support for World Bank/IFC policy reform proposals. In 1985, it was successful in pushing for the partial privatization of maize marketing.

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**Sources:**

Financial Times 5/5/87.

Candoy-Sekse, Rebecca and Anne Ruiz Palmer, "Inventory of Country Experience & Reference Materials," vol.III of Techniques of Privatization of State-Owned Enterprises, World Bank Technical Paper 90, 1988.

ABS, FY 1990.

"The queues that lead to hunger in Zambia" Financial Times, 23 May 1989.

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**ZIMBABWE**

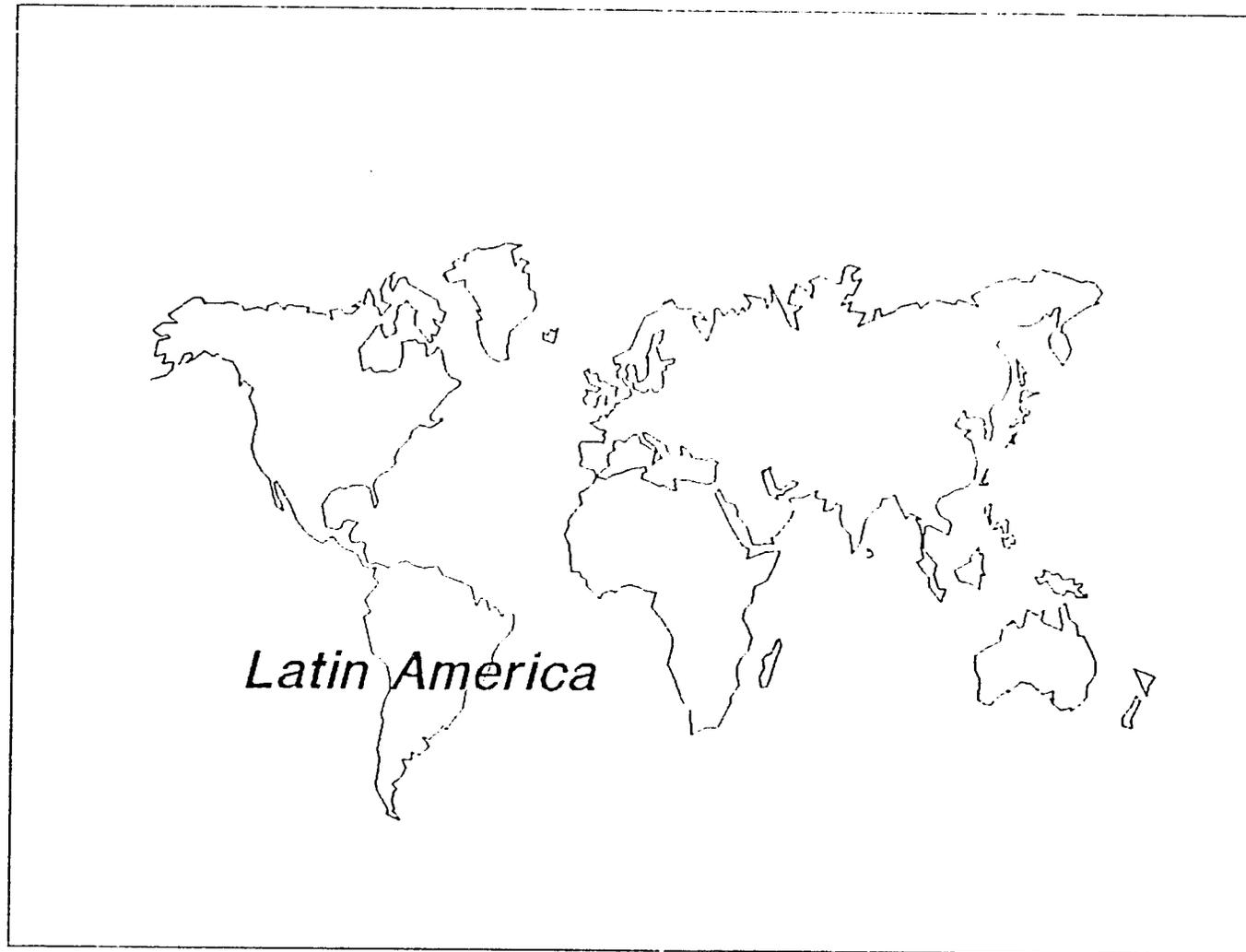
A privatization plan was drawn up in July 1986 under the Zimbabwean Agriculture sector assistance program to privatize farmers' co-operatives.

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**Sources:**

US Embassy cable (Harare 3781, 6/86).

# PRIVATIZATION TRACKING SURVEY



Center for Privatization

**ARGENTINA**

Enormous government spending, according to economists, is the fuel supplying Argentina's blazing inflation. An example of this is the government subsidized companies which receive up to 30% of their budgets from the state. This coupled with internal debts of US\$15b., the treasury running deficits of \$10 million a month and very low central bank reserves, creates a collision course with liquidity. Far reaching reforms planned by President Alfonsín have failed to get off the ground including a number of privatizations. Most notably, the failure to sell minority stakes in both the national airlines, Aerolíneas Argentinas, and their state-run telephone company, Entel (see below). The Peronist-led opposition in the Senate successfully blocked both sales. If the Aerolíneas deal would have gone through it would have been the first major, high-visibility privatization attempted by the government. All future privatization efforts will rest with the Peronist party, which won the May 1989 general election and which officially does not disapprove of privatization in principle but the present lack of transparency.

Sector	Type of enterprise	Activity	Notes
---Reports of privatization activity---			
SERVICES	AIRLINE	PRIVATIZATION PLAN	Aerolíneas Argentinas - Plans to sell 40% to Scandinavian Airline Systems (SAS) collapsed under pressure from opposition members in the Senate, who claimed the deal was being transacted illegally and without sufficient transparency.
SERVICES	SHIPPING	PRIVATIZATION PLAN	ELMA - A minority holding is expected to be offered to the private sector.
SERVICES	TELECOMMUNICATIONS	PRIVATIZATION PLAN	A proposed joint venture between ENTEL, the state telecommunications entity, and the 60% state-owned CTNE (Telefonica) of Spain has run up against opposition in both Spain and Argentina, particularly from the Peronists in Argentina, and is now on hold.

## Sources:

1. "Food rioting worsens and spreads in Argentina," New York Times, 6/1/89
2. "Argentines count the cost of politics," Financial Times, 4/20/89
3. "Peronists force collapse of Argentine airline stake," Financial Times, 12/19/88
4. Financial Times, 9/16/87

**BELIZE**

Two major privatizations have been successfully completed in Belize (see below), and the GOB plans to shift its attention to the Belize Marketing Board (BMB). The objective is to ensure that BMB becomes an effective grain price stabilization entity and is able to promote greater private sector participation in postharvest systems and marketing activities.

### CFP Contributions

CFP, working with individual farmers, arranged for commercial bank financing for banana growers to purchase 2,000 acres of land and liberalize the operations of the Banana Control Board (see below).

Sector	Type of enterprise	Activity	Notes
---Completed privatizations---			
CFP > AGRICULTURE	BANANA PLANTATION	PRIVATE SALE	Banana Control Board - The GOB sold 2000 acres of banana farm plantations. AID participated in the negotiations and reports that the banana industry has recovered "dramatically," with new private investment, increased yields, acreage and export earnings. There are plans for more acreage and better shipping, thus increasing profitability.
AGRICULTURE	LIVESTOCK	PVT.SALE/MGMT.	AID mission through its livestock development project, assisted negotiations for divestiture of 49% of govt's share in a livestock company. The company now entirely managed by a private firm (Belize Meats Ltd) and has undergone extensive renovation. Recently obtained USDA certification.

#### Sources:

1. ABS FY 89

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### BOLIVIA

The private sector, although growing, still occupies a relatively small sector of the economy and has little political influence. Large SOEs in the mining and petroleum sectors have absorbed large amounts of capital which might otherwise have been channelled to the private sector. The GOB has created the Industrial Transition Commission [COMTRAIN] to assist the regional development corporations in the privatization of SOE's in their portfolios. In early 1989, however, the GOB suspended an AID funded privatization project during the presidential campaign. The future of privatization depends on the next administration.

### CFP Contributions

USAID contracted with CFP to provide technical assistance to COMTRAIN in the divestiture or liquidation of more than 50 SOEs currently owned by the regional development corporations. CFP consultants had established a data base for SOEs and were preparing plans for valuation, financing of privatization, and a public awareness campaign when the project was suspended pending a decision by the new government.

#### Sources:

1. U.S. Embassy Cable (La Paz 02401, 2/89 & La Paz 03192, 3/89).

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**BRAZIL**

26 SOEs, out of a total of 415 companies under state control, were expected to be sold by the end of 1989 (the New York Times reports that there were 513 SOEs, of which 138 were involved in industrial production and South reports "there are 176 'productive companies' in the state sector employing 650,000 and worth a total of US\$42 billion"). Upon assuming office in April 1985, the Sarney administration announced a "destatization" plan, but little progress has apparently been made.

The National Economic and Social Development Bank (BNDES) undertakes the rehabilitation of failing private companies for later transfer back to the private sector. BNDES is now in the process of selling off the large portfolio of investments which it acquired during the 1970's. However, these plans would not have a significant effect on the overall public sector deficits which are seen as the primary cause of current inflationary problems.

A "social pact" between the government, business and labor was expected to give a boost to privatization efforts, but recent labor confrontations in public sector enterprises (in the steel industry in particular), some of which has resulted in violence, and an overshadowing inflation crisis have made reform particularly difficult. This was demonstrated by the congress's rejection of the latest effort called the "Summer plan".

The state of Sao Paulo has shown intentions of privatizing a number of municipally owned enterprises.

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**Sources:**

1. Privatization International, 3/89.
2. New York Times, 12/21/87.
3. South, 7/88.
4. Financial Times, 9/16/87, 10/25/88, 11/4/88, 2/2/89.
5. "Brazil's PQU Welcomes Privatization," Journal of Commerce, 12/6/88.
6. U.S. Embassy Cable (Sao Paulo 00648, 3/89).

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**CHILE**

The Pinochet government has reduced the GOC's share in the GDP from 39% in 1973 to 25% in 1987, and intends to attempt to privatize all SOE not prescribed by law from being privatized. After setbacks due to economic collapse in the early 80's, the privatization program became active again in 1985 with divestitures, both full and partial, in a broad range of SOEs, generating US\$450 million. The government is continuing with plans for divestiture despite an increase, especially since the stock market crash of 10/87 and the loss of General Pinochet in the October 1988 plebiscite, and constant remarks by political opposition to what is seen as the sale of the nation's assets for bargain prices. In fact, the opposition party has threatened to re-nationalize all companies sold after the October vote. There has also been pressure from outside the government to slow the privatization process; believing that the sales have been hastily planned resulting in confusion and disorganization among the management. In light of the growing opposition the GOC has put the emphasis on worker ownership and "popular capitalism", but worker ownership has fallen off in recent years. However, a 12/87 law permitting SOE employees to obtain SOE shares through money due to them as severance pay if they resign, advances on retirement benefits and low interest loans from CORFO (the state holding company which control most SOEs in Chile) should boost worker ownership.

Sector	Type of enterprise	Activity	Notes
---Completed privatizations---			
EDUCATION	VOCATIONAL/TECH SCHOOL ADMIN.	MGMT. CONTRACT	In the Biebio region five vo/tech schools are now being administered by the newly formed Corporation for Study, Training and Employment of the Chamber of Production and Commerce of Concepcion.
ENERGY	ELECTRIC GENERATION	PUB. SHARES	ChilGen - GOC still holds 35%; does not expect to sell remainder.
ENERGY	ELECTRIC GENERATION	PRIVATE SALE	Pilaiquen hydroelectric plant was purchased by Banker's Trust (US) for \$20.8m.
ENERGY	ELECTRIC GENERATION	PUB. SHARES	Pullinque hydroelectric plant.
ENERGY	ELECTRIC DISTRIBUTION	PUB. SHARES	CHILMETRO CHILQUINTA EMEC (14,000 of 42,000 owned 100% of EMEC as of 12/86) EMEL EMELAT
INDUSTRY	NITRATE & IODINE PRODUCER	PUB. SHARES	SOQUIMICH - Completely sold by early 2/88 despite plans to retain 35% holding. Initial sale of shares in 1985 was the first public share offering done by the GOC. It failed to attract investors due to overpriced stock.
MANUFACTURING	EXPLOSIVES	PRIVATE SALE	Enaex was purchased by Austin Powder (US) for US\$ 8.5m.
MANUFACTURING	STEEL PRODUCTS & IRON ORE	PUB/EMP SALE	CAP (Pacific Steel Co. - 1986 profits \$15.5m on \$319m sales) - 9000 people bought stock including 4000 of the 6500 employees of the enterprise. Stock purchases were aided by CORFO loans. CAP is now completely divested.
SERVICES	COMPUTER SERVICES	MGMT.BUYOUT	ECOM - US\$ 1.5m sale to employees in 1985 was financed using 10 year loans from CORFO.
TELECOM	TELEPHONE SERVICES	PUB. SHARES	According to CORFO officials, the sale of CTC, the Chilean Telephone Company was the most important privatization transaction in 1987. CORFO plans on selling their remaining 14% of the 350 million company.
FINANCIAL	NATIONAL BANKS	PUB. SHARES	In 1983, the GOC intervened in the banking system to stave off economic collapse, but by 1985 it began to "re-privatize" the two largest of the nationalized banks, the Banco de Chile and the Banco de Santiago. The first public sale of shares (15% of total new shareholding) of BdS sold for US\$ 15m through Citicorp; the BdC put 350m shares (US\$9.1m) on the market. The sale ended in late 1986, aided by a "popular capitalism law" which gave preferential loans to small investors.

---Other reports of privatization activity---

TELECOM	TELECOMMUNICATIONS	PRIVATIZATION PLAN	ENTEL - currently private holdings are 62%, however, the GOC plans on selling 28% out of their remaining 38% stake.
ENERGY	ELECTRIC GENERATION	PRIVATIZATION PLAN	GOC expects to increase private holdings in ENDESA from 51% to 85%.
AGRICULTURE	FORESTRY AND TIMBER	PRIVATIZATION PLAN	COFOMAPA - complete sale expected in 1988.
ENERGY	COAL MINING	PRIVATIZATION PLAN	Schwager - GOC plans to sell all assets by end of 1988.
SERVICES	AIRLINE	PRIVATIZATION PLAN	Lan-Chile - GOC original expectations to reduce its holding from 100% to 67% in 1988, were scrapped on grounds of insufficient interest. However, a soon to be offered majority share should bring substantially more interest.

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Source:

1. Santiago A-013, 3/22/87.
2. "Chile's Privatization Pleases Investors," New York Times, 7/20/87.
3. Santiago 2022, 3/88.
4. "Out of the Basket," Economist, 6/10/89.
5. "Survey on Chile," Financial Times, 9/28/88.
6. Privatization International, 3/89.

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## COLOMBIA

Public ownership is generally limited to natural resource extraction industries, public companies and several banks. Government has intervened reluctantly in the private sector and has recently been discussing further privatizing steps, such as, the considered divestiture of financial institutions acquired during a recent crisis. Joint public-private management contracts exist in the petroleum field and private enterprise has been invited to administer the collection of road tolls. In addition, the government's wholly owned industrial development agency, Instituto de Fomento Industrial (IFI), has plans to divest its share in up to 21 companies. The companies include a nickel project, a fish processing plant, a shipyard and a chemical plant; among others. Economic stringencies are forcing consideration of privatizing the railroads and ports, but it is unlikely that much progress will be made in this direction in the immediate future.

## CFP Contributions

CFP representative presented a paper describing privatization experience in other countries during the Third National Congress of the Economists Association of the Universidad Javeriana in Cali on August 14, 1987. In addition, the Center provided papers and speakers for the Chamber of Commerce of Bogota's conference on privatization in April of 1989.

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Sources:

1. State Dept. Cable (State 126335, 4/89).
  2. Responses to , 4/85.
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## COSTA RICA

In 1983, the GOCR passed a law authorizing the privatization of enterprises owned by the national development corporation (CODESA). The USAID mission to Costa Rica established a private trust (FINTRA) in 1985, utilizing \$140 million in local currency equivalent, generated from economic support fund (ESF) donated by USAID. FINTRA applied the funds for the acquisition of SOEs owned by CODESA and for the cancellation of CODESA's debts to the Central Bank. This mechanism accomplished the transfer of the SOEs to FINTRA while avoiding monetization of the debt, thus reducing inflation pressures. Many of CODESA's 42 subsidiaries and affiliates have been sold to private investors or liquidated, and the program is continuing. The valuation procedures of the Costa Rican Controller General has complicated the process, however.

### CFP Contributions

USAID requested CFP for a special evaluation of CODESA divestiture activity for ten different companies in March 1988. The basic mechanism of the asset trust was determined to be effective, but controversial. The George Washington University in association with CFP sponsored a round table discussion with Senator Mario Carvajal of the Legislative Assembly. The meeting focused on the political dilemma of selling over-valued SOE's at a seemingly low market price.

Sector	Type of enterprise	Activity	Notes
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---Completed privatizations---			
MANUFACTURING	TUNA FISHING	PRIVATE SALE	Sold 5/87 for US\$1.5 million.
MANUFACTURING	COFFEE WASTE PROCESSOR	PRIVATE SALE	
MANUFACTURING	ALUMINUM	PRIVATE SALE	ALUNASA 1985 sale to AID trust which was offered to the public.
---Other reports of privatization activity---			
MISC.	COTTON, CEMENT, SUGAR, ET.AL	PRIVATIZATION PLAN	CODESA Review: ALCORSA (cotton), CEMPASA (cement), Fertica (Fertilizer), CATSA (sugar), CNP (agri. marketing board).

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Source:

1. CFP Project Report #71, 5/89.
2. Mario Carvajal speech, George Washington University, School of Government and Business Administration, 4/14/89.

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**DOMINICAN REPUBLIC****Country Overview/CFP Contributions**

CFP consultant completed a report on Santo Domingo's trash collection disposal system in 12/86. In May 1987, a special GODR Presidential commission addressed severe chronic problems with the state-owned electric power company, and suggested that privatization may be an option. In response to the GODR's request for assistance, the USAID Mission asked CFP to review the feasibility of and to outline a proposal to privatize the utility. Recommendations included the installation of private co-generation of electricity in free zones and selling excess power to the national grid. CFP also assisted in writing a proposed privatization/debt conversion project paper. In 1989, CFP studied the privatization of SOEs owned by CORDE, the government development bank. The study proposed the sale of shares to employees and the GODR is now pursuing this course of action. On Dec 17, 1987 USAID/PRE Project Officer Louis Faoro and CFP Director Alexander Tomlinson participated in a WORLDNET Dialogue program on privatization. The program reached over 300,000 viewers in the Dominican Republic.

Sector	Type of enterprise	Activity	Notes
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---Completed privatizations---			
AGRICULTURE	PINEAPPLE & OIL PALM	LEASE	Details not available.
---Other reports of privatization activity---			
CFP > ENERGY	ELECTRIC COMPANY	PRIVATIZATION PLAN	CFP has recommended private co-generation of electricity in export zones, and gradual privatization of the state-owned utility.
CFP > SERVICES	GARBAGE COLLECTION	PRIVATIZATION PLAN	CFP reviewed the feasibility of private provision of garbage collections services in Santo Domingo.
MISC.	SUGAR, CONSUMER GOODS, ET.AL.	PRIVATIZATION PLAN	

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**Sources:**

1. U.S. Embassy Cables (Santo Domingo 06913, 7/88 & Santo Domingo 00199, 1/89).

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**ECUADOR**

Ecuador's SOE's are concentrated in the petroleum industry (CEPE) which accounts for 68% of exports and 40% of public revenue, and INECEL, the electricity institute, the country's primary generator of electricity. Other SOE's exist both in the industrial and agricultural sectors.

## CFP Contributions

During CFP consultant Laport's visit in October 1988 the CFN Board authorized loans to finance sales but rejected lower valuations. Meetings with the Finance Minister, however, produced the idea for blanket approval in the use of debt/equity swaps for financing CFN sales as well as the acceptance of sealed bids versus the required stock exchange offering. No further progress has been reported on privatization since the election of President Rodrigo Borja.

Sector	Type of enterprise	Activity	Notes
---Specific reports of privatization activity---			
AGRI/MFG	STATE HOLDING CO. (COFINA)	PRIVATIZATION PLAN	Details unavailable.
TOURISM	HOTEL	PRIVATIZATION PLAN	

### Sources:

1. CFP Quarterly, 12/87.
2. U.S. Embassy Cables (Quito 04250, 4/87 and Quito 04415, 4/89).

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## EL SALVADOR

The GOES is considering privatization in several areas, including housing and municipal services. Government officials have shown specific interest in doing a study of the private provision of solid waste collection and disposal services. Although, there has been modest progress in this and other areas, further privatization efforts will depend on the President Cristiani's policies. It is reported that the new administration intends to reprivatize the banks, the coffee export company and hotels.

### Sources:

1. Dept. of State cable (State 9741, 7/86).

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## GRENADA

The government, with the assistance of AID, has proposed the privatization of two state-owned banks, and is studying the possibility of privatizing the electric company.

## CFP Contributions

In March 1987, CFP proposed the privatization of the Grenada Bank of Commerce. The government advised the Mission that it was ready to proceed with the privatization of two government banks. A CFP team reviewed the Grenelec privatization and sent a final copy of their report to the Mission in early June. In March 1988 CFP Director Elicker met with the Prime Minister of Grenada. [3/17/88]

Sector	Type of enterprise	Activity	Notes
---Completed privatizations---			
TOURISM	HOTELS	LEASE	Grenada Beach Hotel has been leased for a 99yr period.
---Other reports of privatization activity---			
CFP > ENERGY	ELECTRIC GENERATOR	PRIVATIZATION STUDY	Minister of Works will accept support services with view to possible future privatization of Grenlec.
CFP > FINANCIAL	COMMERCIAL BANKS (2)	PRIVATIZATION STUDY	Valuation and prospectus evaluation of GBC and NCB to be done through AID mission & CFP.

## Sources:

1. State Dept. Cable (State 1648, 4/88).

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**GUATEMALA**

USAID Guatemala recently signed a major private sector project "The Private Enterprise Development Project" (PED). The new private sector initiatives component is one part of the project which will examine any emerging concepts related to the Guatemalan private sector, including privatization. Additionally, the Mission's private sector strategy follows a growth with equity paradigm. ESOP's are a potential tool to advance Mission's interest with privatization and strategy. However, since Guatemala has a relatively small parastatal sector, privatization is not a priority.

**CFP Contributions**

CFP sponsored a reconnaissance of the privatization prospects of GUATEL, the state telecom, in 5/87. CFP Director Paul Elicker visited the Mission on 2/2/88. Mission alerted CFP that GOG was seriously considering the privatization of the state-owned airline, Aviateca. CFP at the request of the GOG, researched and reported on the feasibility of ESOPs for privatizing SOEs.

Sector	Type of enterprise	Activity	Notes
---Specific reports of privatization activity---			
CFP > TELECOM	TELECOMMUNICATIONS	PRIVATIZATION STUDY	Mission advises it is exploring opportunity for privatizing "new services" of Guatel, such as satellite links, and may seek CFP assistance for this purpose.

## Sources:

1. CFP Project Summaries, 2/88

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## GUYANA

A low-profile investigation into opportunities for privatization is being carried out by the government. South magazine reports that Gustac, the SOE holding corporation, was dissolved in April 1988. In June, 1989 the GOG solicited investors interested seven SOEs including fisheries, food processing, feedstock, transport, soap, wood products, and paint.

Sector	Type of enterprise	Activity	Notes
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--Reports of privatization activity--			
AGRICULTURE	FORESTRY	PRIVATIZATION PLAN	Guyana Timber is to be sold to the private sector.
SERVICES	BUS COMPANY	PRIVATIZATION PLAN	Assets of Guyana Transport Services are to be broken up.

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## HONDURAS

### Country Overview/CFP Contributions

Honduras initiated its privatization strategy in 1984 and passed specific authorizing legislation in late 1985. The new government in January 1986 has continued the program and requested a CFP strategy design team to transfer the holdings of the National Investment Corporation (CONADI) to the private sector. The team completed initial work in June 1986, and provided bridging assistance until a \$2.9 million 30 month "buy-in" contract was finalized and a permanent "Technical Working Group" (TWG) put in place in April 1987. The process of valuation, public auction and direct negotiation set forth in the legislation is complex, but the TWG has made considerable progress in two areas: preparing companies for sale and conducting independent valuations. This work has been done on 18 companies, some active and some inactive, representing a potential divestment value of US\$ 49.6 million.

To date eight SOEs have been privatized - six by CONADI totaling \$11.125 million and two by the forestry corporation (COHDEFOR) totaling \$5.5 million. There has also been some partial divestiture of the Ministry of Natural Resources' seed industry and timber mechanization program. Also notable, was the first completed debt-for-equity swap arranged by GOH with the assistance of CFP for the purchase of a Honduran steel foundry; FUCENSA (see below). Due to the success of the swap the GOH plans on continued use of debt-for-equity swaps in future privatizations. In 1989, there is expected to be at least four privatizations.

Sector	Type of enterprise	Activity	Notes
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---Completed privatizations---			
CFP>AGRICULTURE	SAWMILL	PRIVATE SALE	Forestal Industrial Agua Fria (FIAFSA), transferred from Gov't Forestry Development Corp. (CODENFOR) to private investor @ US\$ 2.25 million in April, 1986.
CFP>AGRICULTURE	LUMBER OPERATION	LEASE	Servicios Madereros (SEMSA) leased by Forestry Development Company (COHDEFOR) with an option to buy for \$US 4,500 per month plus \$US 25 per thousand feet of lumber produced.
FINANCIAL	FINANCIAL SERVICES	LIQUIDATION	1985 liquidation (source: World Bank).

CFP>MFG	CONSTRUCTION MATERIAL	PRIVATE SALE	Sistemas Internacionales de la Construccion (SIC), Villanueva, 44 Cortes. Produces pine fiber & cement panels. Owned entirely by CONADI; sale approved for SUS 300,000. Under final negotiation.
CFP>MFG	KITCHEN UTENSILS	PRIVATE SALE	Metalsa y Aluminios S.A. (METALSA), San Jose de la Vega, Comaguela. After 2 auctions, direct negotiations with investor resulted in complete sale of assets for \$120,000.
CFP>MFG	FURNITURE	PRIVATE SALE	Industria Hondurena del Mueble (INHOMSA) sold to private investor for \$US 542,000.
CFP>MFG	STEEL FOUNDRY	PRIVATE SALE	The Nelson Group's (US) purchase was effected through a \$2 million debt-for-equity swap; US \$1 m. for FUCENSA's assets and US \$1 m. for working capital.
CFP>MFG	PAPER	PRIVATE SALE	Papeles y Cartones S.A. (PACARSA), Bufalo, Cortes. Bond, hygenic, kraft paper.
CFP>AGRICULTURE	SUGAR CULTIVATION/MILLING	PUB. SHARES	Azucarera Yojoa S.A. de C.V. (AYSA), in Choluteca CONADI holds 52% stake, all of which is to be sold.
---Other reports of privatization activity that has been planned---			
CFP>AGRICULTURE	SUGAR CULTIVATION/MILLING	PUB. SHARES	Azucarera Central SA de CV (ACENSA), Marcovia, Choluteca.
CFP>AGRICULTURE	DAIRY PROCESSING	PRIVATE SALE	Planta de Productos Lacteos Sula S.A. de C.V., San Pedro Sula, Cortes. Pasteurized milk, powdered milk, cheese, cream, butter, some fruit juice. CONADI owns 46%.
CFP>AGRICULTURE	TOMATO & FRUIT PROCESSING	PRIVATE SALE	Mejores Alimentos de Honduras S.A., Valle de Comayagua, Comayagua. Tomato paste & sauce, ketchup, fruit juices, bean & vegetable canning. CONADI owns 99.9%.
CFP>AGRICULTURE	TOMATO PLANTATION	PRIVATE SALE	Agricola de Honduras S.A. de C.V., Valle de Comayaguas, Comayaguas. Land subdivided into 3 seperate legal units. Government prefers sale in conjunction with MALI at same location. MALI owns 92%.
CFP>MFG	STEEL ROD MANUFACTURER	PRIVATE SALE	Aceros Industriales SA, San Pedro Sula, Cortes. CONADI owns 10%
CFP>MFG	STEEL RODS & BARS	PRIVATE SALE	Industria Nacional del Acero (INACERO), Choloma, Cortes. CONADI owns 99.7%.
CFP>MFG	PORTLAND & PUZOLANICO CEMENT	PRIVATE SALE	Industria Cementera Hondurena S.A. de C.V. Piedras Azules, Comayagua. CONADI owns 80%, all offered for sale.

CFP>TOURISM	RESORT HOTEL	PRIVATE SALE	Hotel Brisas del Lago (Hoteleria Yojoa, S.A.) on Lake Yojoa. Cortes. Fishing resort w 64 rooms. Some legal limitations, not yet cleared by CONADI.
CFP>TOURISM	RESORT	PUB. SHARES	Desarrollos Turisticos de Tela, SA, dba Hotel Villas Telamar, Tela, Dept. de Atlantida 39 room hotel, 7 private homes w/ 39 rooms, 5 apartments w/ 17 rooms, 5 villas w pvt bath, villas w/o bath with 83 rooms. CONADI owns 55%.
CFP>SERVICE	EXPORT FURNITURE	PRIVATE SALE	Contessa exports wood furniture and has a market valued US \$4.2 million. The sale will be funded through the use of external debt for equity swaps.

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Sources:

1. CFP Project
2. U.S. Embassy Cable (Tegucigalpa 03028, 2/89).

## JAMAICA

A central feature of the Government of Jamaica's (GOJ) structural adjustment has been the reduction of the size of the public sector through public share offerings. This program has resulted in a successful sale of 51% of The National Commercial Bank (NCB) and the sale of 13% of Telecom of Jamaica. Possible candidates for future privatizations include PETROJAM, Jamaica's oil refinery, and Air Jamaica, the national airline.

### CFP Contributions

CFP Director Paul Elicker and PRE Privatization Project Officer Louis Faoro were featured in a USIA WorldNet interactive broadcast on privatization on March 22, 1988.

Sector	Type of enterprise	Activity	Notes
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---Completed privatizations---			
AGRICULTURE	LAND DEVELOPMENT	LEASE	Black River Upper Morass Development Co. (BRUMDEC). leased 1/86 to a consortium of Jamaican & Italian investors. 500 acres leased @\$170,000 for 25 yrs.
AGRICULTURE	RURAL AGRICULTURE MARKETS (59)	LEASE	Details unavailable.
FINANCIAL	COMMERCIAL BANK	PRIVATE SALE	In Dec 1986 the GOJ offered 51% of its stake in NCB in a public stock offering that was limited to Jamaican citizens. No one could hold over 7.5% of the shares, and employees were offered a generous stock ESOP. 175% oversubscribed with 30,000 applications for shares. Remaining shares expected to be sold as market conditions permit over the next 2-3 years.

MANUFACTURING	CEMENT PRODUCTION	PRIVATE SALE	The Govt. of Jamaica sold Caribbean Cement Company, the ninth largest company in the country and the island's only cement producer in June 1987 (Leeds).
MANUFACTURING	SUGAR ESTATES (2)	MGMT CONTRACT	Signing of management contracts with the British sugar producer Tate and Lyle to operate the two biggest sugar estates.
SERVICES	HOUSEKEEPING/SANITATION (HOSP.)	PRIVATE SALE	No details available.
---Other reports of privatization activity---			
TOURISM	13 RESORT HOTELS	PRIVATE SALE	Int'l Companies and Finance Section, p. 32.

## Sources:

1. USAID Kingston, "Privatization in Jamaica", 10/87.
2. Privatisation International, 3/89, 4/89.

**MEXICO**

The government has reduced the number of its SOEs from a reported 1,155 in 1982 to approximately 400-500, but these include mergers, transfers to local governments, inoperative enterprises, and many in which the government had only a small holding. The remaining SOEs account for about 90% of the assets of the original portfolio. Government expenditures have fallen from 3% of GDP to only 1.6%. In addition, employment figures have remained relatively unchanged, however, the cost of wages decreased due to the dismissal of up to 30% of the management of a firm. The alleged irregularities in the placement of the February 1987 sale of stock equivalent to 34% of the paid-in capital of the three largest banks (all banks were nationalized in 1982) has resulted in discrediting the idea of using the stock market to privatize. Recently Mexico has been receiving high praise for its reform efforts, however, there has been increasing opposition to privatization as a reform policy.

**CFP Contributions**

CFP Director Paul Elicker participated in a WORLDNET Dialogue program on privatization on March 8, 1988. The program reached an audience of over one million in Mexico.

Sector	Type of enterprise	Activity	Notes
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---Completed privatizations---			
MANUFACTURING	STEEL MILL	LIQUIDATION	Fundidora Monterrey steel mill, is the only significant enterprise to be closed down. In 1985 its operating expenses were \$414 million and sales were \$185 million.
MANUFACTURING	PETROCHEMICAL	PRIVATE SALE	42.2% of Tereftalatos Mexicanos, a petrochemical plant, was sold to a petrochemical consortium. Petrocel with the government share became the largest stock holder.

MINING	COPPER MINE	PRIVATE SALE	Debt for equity swap involving \$1.36 billion dollars worth external debt held at a number of international banks. Considering the market value of Mexican debt the mine went for approximately \$680 million.
MISC.	HOTEL, AUTO PLANT, ET AL.	PRIVATE SALE	1985, sale of Nacional Hotelera in Oct. for US\$34mm, Renault de France. Mexico to Renault de France, 31 of 236 targeted entities sold since 2/6/85.
SERVICES	AIRLINE	PRIVATE SALE	The deal for Aerovias de Mexico, formerly AeroMexico, consisted of a US\$339 million cash payment. Grupo Dictum was the purchasing investment group. The pilots union took a 25% position in the airlines.
---Other reports of privatization activity---			
SERVICES	AIRLINE	PUB. SHARES	Recently, a formal deadline of June 30, 1987, was set for bids on the government's 60 percent stake in the airline. Unlike Aeromexico, the traditional flag carrier, Mexicana was privately owned until 1982 when it was acquired by the government as part of a financial bailout. It has foreign debts of \$400 million and currently runs at a loss. It remains to be seen whether it will actually be sold.

Sources:

1. Privatisation International 12/88, 4/89.
2. Young, "Privatization in Mexico", 10/87
3. U.S. Embassy Cable (Mexico 16517, 7/88).
4. World Bank Staff Reports 1989.

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## PANAMA

The current fiscal crisis have combined with the requirements of the IBRD's Structural Adjustment Loan have pushed the government slowly toward privatization. Some SOE's have been sold or closed and state subsidies to the Agricultural Development Corporation have been stopped. Some financial and management reforms, especially in the national airline, have been instituted. Full-scale reform of the SOE structure will have to await reform of the labor code and new industrial and agricultural incentives. Bureaucratic, legal and political factors (including severe overemployment in SOE's) are obstacles to private sector growth. The trend is toward privatization but it must be accompanied by liberalization and rationalization of the economy if it is to make significant progress in the near future.

### CFP Contributions

CFP assisted the Investment Council of Panama in developing a National Divestiture Strategy. This plan establish criteria and procedures for analyzing equity in state-owned enterprises and examining the implications of establishing export-development finance institutions.

Sector	Type of enterprise	Activity	Notes
---Completed privatizations---			
TOURISM	HOTEL	PRIVATE SALE	Major hotel sold to Japanese investors for \$34 million.
---Other reports of privatization activity---			
CFP > MISC.	HOTEL, SUGAR MILL, CITRUS	PRIVATIZATION STUDY	Contadora Panama, S.A. (hotel), Air Panama, Corp. Azucarera La Victoria (sugar mill), Citricos de Chiriqui (agri SOE), Shrimp Laboratories (seed production/distribution).

## Sources:

1. CFP Report Summaries
2. State Dept. Cable (State 03497, 3/88).

**PARAGUAY**

Since the election of President Andres Rodriguez in 1989, decreasing the size of and the corruption in the public sector has been of primary importance. Some steps taken have been the dismissing of hundreds of ghost employees, preparing legislature for the break-up of the government subsidized National Alcohol Monopoly (APAL) and the enlisting of outside help in the planned divestiture of the National Cement Industry Complex. In May 1989, CFP consultants prepared a valuation of the cement industry and presented a report to President Rodriguez on strategies and legislature for privatization. The GOP is drafting a new law on privatization.

## Sources:

1. U.S. Embassy Cable (Asuncion 01386, 4/89).

**PERU**

There are some 235 enterprises, 135 of which are non-financial, with some degree of government ownership. The government owns more than 50% of the shares in 174 companies, but legally holds control over companies in which it holds over 30% of the stock (20% for cement companies). President Garcia and the National Development Corporation (CONADE) officials have indicated the necessity of privatizing several SOE's, and the 1987 budget law contains specific provision in this respect, directing CONADE to structure and execute a program of sale or transfer of non-financial enterprises and liquidation of others. In January 1988, CONADE announced that 40 public enterprises would be sold in 1988 for an estimated \$200 million dollars. There are more recent reports of less-ambitious plans for the privatization of 16 to 21 commercial enterprises held by a CONADE subsidiary, Inversiones COFIDE (ICSA), roughly valued at approximately US\$ 25-30 million (2 billion Intis), or perhaps one-third of ICSA's portfolio. Public tender documents for some SOEs were to be ready by the end of 1988, but current economic and governmental troubles have effectively stopped progress on reform. The four priority candidates for divestiture are listed below.

## CFP Contributions

CFP assessed the GOP privatization plan in 4/87, and later responded to request from ICSA to review valuation methodology and procedures in local context. Also discussed where financial and legal preparations of SOEs for divestiture, liquidations and marketing. The consultant reported that prospects for privatization of ICSA's non-financial holdings are good and that CFP should assist in valuation of specific enterprises, training in valuation methodology and in orchestrating a regional workshop on privatization.

Sector	Type of enterprise	Activity	Notes
---Completed privatizations---			
AGRICULTURE	FOOD PROCESSING PLANTS	PRIVATE SALE	PROLANSA and Deshidratadora de Arequipa.
AGRICULTURE	FISH PROCESSING PLANTS	PARTIAL DIVESTITURE	Details are unavailable.
MANUFACTURING	MINES	PRIVATE SALE	Details are unavailable.
---other reports of privatization activity---			
MANUFACTURING	CEMENT	PRIVATIZATION PLAN	Cemento Norte Pacasmayo (51% private, 49% ICSA) - Profitable; second largest cement company & 44th largest company in Peru. GOP is reported to be selling half of its holdings initially with the sale of four other cement companies contingent on how well this enterprise sells.
MANUFACTURING	SALT, CHLORINE & OTHER CHEM.	PRIVATIZATION PLAN	Quimica del Pacifico (100% ICSA). GOP wants to sell 100%.
MANUFACTURING	COMPRESSORS	SALE	Compresora Andino - shares valued at 123.4 million intis (US\$ 24,000) to be sold.
MANUFACTURING	DIESEL ENGINES	SALE	Motores Diesel Andino (MODESA - Volvo-Perkins 52%, ICSA 48%) GOP wants to sell 20% of the total assets. Shares are valued at 1.3 billion intis (US\$ 3.5 million at exchange rate of 510 intis).
SERVICES	BANK	REPRIVATIZATION	GOP has effectively returned the nationalized Banco Weise to its original owners. An administration committee was replaced by two special delegates who will turn over control of the bank, making it the last bank to have the special committees removed.

### Sources:

1. Dept. of State cable (Lima 14704, 10/27/88).
2. CFP staff reports.
3. Veronica Baruffati, "Peruvian bank to pass out of state control," Financial Times, 9/27/88.

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**SURINAME**

The funneling of 1.5 to 2 percent of GDP to subsidize indebted SOE has forced the GOS to redefine the scope of the public sector. CFP carried out a reconnaissance mission in Suriname in May 1989 and will produce specific plans for privatizing five SOEs as well as economic policy reforms to improve the business climate.

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**Sources:**

1. CFP staff report 5/89.
2. U.S. Embassy Cable (Paramaribo 122414, 4/24/89).

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**TRINIDAD & TOBAGO**

There are now more than 60 SOEs, 42 of which are wholly owned by the government. Most of these have been government ventures in steel, methanol, urea, asphalt, nitrogen, electronics, fertilizers, sugar, printing, chemicals, television and broadcasting, telecommunications, shipping, hotels and banking have a dismal trading record, and are largely responsible for 30% of the external debt. The government's aim is to increase efficiency and profitability where possible, and capital restructuring and divestiture where appropriate."

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**Sources:**

1. South, 10/88.

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**USAID REGIONAL DEVELOPMENT OFFICE/CARIBBEAN**

Many Mission projects support privatization indirectly. The receptivity of OECS governments to privatization is high. Technical assistance will be requested under a PRE contract for work in OECS countries which indicate a need for such assistance. At least two privatizations expected to be completed in FY 88. Targets for FY 88 include: Antigua: hotel or factory shell; Dominica: DOMLEC electric company, 75 percent; Montserrat: Sea island cotton company, share offering; St. Vincent: Diamond Dairy (see Grenada entry).

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**Sources:**

1. ABS FY 89.

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**URUGUAY**

Efforts to scale down, shut down, sell interests to private investors, etc. are being considered for a number of state-owned enterprises such as the national airline, Port corporation and state railroad.

## **CFP Contributions**

CFP briefed the Subsecretary of economy and finance in April 1988 on privatization and AID/CFP advisory services.

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### Sources:

1. U.S. Embassy Cables (Montevideo 8346, 1987 and Montevideo 01391, 1988).

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## **VENEZUELA**

Venezuela has begun tough economic reforms intended to diversify its economic base and foster export growth. An important tool in achieving their goals will be privatization. Such is the case of the tourism industry where Venezuela has decided to sell all of their state-owned hotels and has granted special incentives to foreign investors. Although there is no mention of the GOV relinquishing any currently state-owned oil or petrochemical companies, there has been movement in new partially private concerns; such as joint ventures. Pequiven, a subsidiary of Petroleos de Venezuela S. A. a state owned holding company, has entered into 11 joint ventures and more are expected. Prospects for future privatization depend on the GOV's austere economic policies which has created dissent and rioting among the people. In addition, the GOV's attempts to attract investors with new tax laws, debt for equity schemes and other incentives has met with criticism for forcing foreign investors to exchange debt or dollars at an inflated official rate. There are no current plans to privatize any of the larger SOEs in the basic industries.

## **CFP Contributions**

USAID/PRE Privatization Project Officer Louis Faoro and CFP Director Alexander Tomlinson participated in a WORLDNET interactive broadcast on privatization. The program reached an estimated 1.2 million viewers.

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### Sources:

1. Tyler Bridges, "Venezuela Aluminum Project Wrapped in Profligacy, The Wall Street Journal, 11/11/88.
2. "A Blazing Market: Latin America's Chemical Industry Boom," Chemical Week, 11/88.
3. Venezuela special advertising section, The Wall Street Journal, 6/2/89.

## CENTER FOR PRIVATIZATION

The Center for Privatization (CFP) provides consulting and advisory services to developing country governments and private sectors in planning and implementing divestiture and privatization of government enterprises, institutions or activities. Established in 1985, CFP has undertaken more than 200 projects in almost 50 countries. CFP services are available under its contract with the U.S. Agency for International Development (AID) through Project Manager David Cowles, 202/647-7474, or through USAID Missions worldwide. They also are available to governments directly or through international donor agencies on a selected basis.

If you would like to receive more information about the Center or have any comments or questions about this survey, please write to us.

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