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International Science and Technology Institute, Inc.

PRIVATIZATION/DIVESTMENT OF STATE OWNED ENTERPRISES IN BOLIVIA: CONSIDERATIONS FOR A USAID/LA PAZ STRATEGY

Prepared for:

USAID/La Paz

under
Private Sector Initiatives Project
(Contract No. LAC-0619-C-00-6057-00)

Private Sector Office
Bureau for Latin America and Caribbean
Agency for International Development
Washington, D.C.

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By:

Robert D. Bond, Project Director
Ismael Benavides, Consultant

International Science and Technology Institute, Inc.
2033 M Street, N.W., Suite 300
Washington, D.C. 20036

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I. INTRODUCTION

The purpose of this report is to analyze the problems relating to State Owned Enterprises (SOEs) in Bolivia and to recommend a privatization strategy for USAID/Bolivia. The objectives of the study included: preparation of an inventory of Bolivian SOEs, along with an analysis of their impact on the economy; an evaluation of the legal, financial, labor and political obstacles to privatization; the identification of target enterprises to be privatized initially; and the discussion of the necessary elements for a successful privatization strategy.

The methodology employed in the preparation of the report was the following:

1. Review of documentation available from USAID and other international institutions on the Bolivian economy and state owned enterprises, and on the overall subject of privatization.
2. Evaluation of privatization experiences in selected countries in the hemisphere (e.g., Panama, Peru, Chile, Guatemala, Honduras).
3. Interviews with high-level Bolivian government officials and private sector leaders, as well as USAID officials in Bolivia and representatives of multilateral institutions in the U.S. and Bolivia.

4. A 3 week visit to Bolivia, which also included field trips to visit the "Corporaciones Departamentales de Desarollo" (CDDs) and local authorities and business leaders in Santa Cruz, La Paz, Oruro and Cochabamba.

The principal conclusions of our assessment are:

* State-owned enterprises in Bolivia represent a serious drain on the nation's resources and impose a serious constraint on private productive investment, which is essential to generate growth and employment.

* The Government of Bolivia (GOB) is interested in and committed to a program to reduce the size of the state, but lacks a strategy to deal with privatization issues or a unit to implement a program.

* Political timing is of the essence. The GOB must begin its privatization program as soon as possible, with concrete results within a year.

* The state-owned enterprises of the CDDs present a target of opportunity for privatization/divestiture efforts, especially those in agro-industry.

* USAID/Bolivia can play a key catalytic role in support of GOB privatization efforts, by leveraging its resources to finance sales, providing working capital, supplying foreign industry and privatization experts, and by coordinating its efforts with those of other multilateral donors.

II. DEFINITION OF THE PROBLEM

The government of Victor Paz Estenssoro, inaugurated in August 1985, inherited an economy verging on collapse. From 1981 to 1985, inconsistent economic policies, rapid increases in government spending, expansionary monetary policies, and a surge in the size and role of state enterprises combined to produce severe economic disarray. By 1985, inflation was galloping at 12,000% on an annualized basis, the government's fiscal defit was over 28% of GDP, unemployment was 17%, and the country's debt service ratio would have approached 130%, had payments on the foreign debt not been suspended. In addition, from 1981 to 1985, real GDP contracted by over 17%, with real per capita GDP estimated to have declined by almost 26%.

A major cause of the economic chaos was the unbridled growth of state-owned enterprises. Much of the increase in the government's fiscal deficit was due to the large operating deficits incurred by the state-owned enterprises, particularly COMIBOL (tin mining), ENAF (smelting), and ENFE (railroads). In addition to the negative financial impact of the SOEs, the burden of harmonizing economic policies and managing the resources of these proliferating agencies overtaxed the limited capacities of the public sector, resulting in a significant loss of efficiency in the economy as a whole.

In response to the economic crisis, the government promulgated a stabilization program -- called the New Economic Program, but referred to in Bolivia by its Supreme Decree number, 21060. The thrust of this comprehensive set of measures was to control domestic inflation, rationalize government spending, improve the government's revenue base, and move toward a greater reliance on market mechanisms to allocate resources. The main policies enacted were a wage freeze for public employees, tax and tariff reforms, the freeing of the exchange rate, reduction in credit expansion, increases in the prices of goods and services provided by the state, and decentralization of the SOEs.

While it is too early to evaluate definitively the results of the government's economic program, substantial progress appears to have been made. Inflation has largely been controlled, the balance of payments situation has improved considerably, and the exchange rate has stabilized. However, economic reactivation has yet to occur, and control of the SOEs remains a difficult political and economic problem.

The government's effort to control the SOEs and reduce their negative impact on the budget deficit and overall economic activity took the form of "decentralization." The two major activities currently being implemented are the break-up of COMIBOL and YPFB (the state petroleum company) into regional enterprises and the dissolution of the CBF (the state development corporation) by selling some assets and transferring others to the Departmental Development Corporations (CDDS). This decentralization effort is designed to serve a number of purposes: reduce the fiscal drain of COMIBOL by closing mines and laying-off workers; increase fiscal discipline by controlling access to credit by SOEs at the Central Bank; and limit sharply the disruptive power of the labor unions. The overall goals of the program are to shrink the size of the state and to increase the management efficiency of SOEs.

It is important to note that the government's decentralization effort is not a divestiture/privatization strategy -- nor has it been presented to the public as such. Even in the case of the CBF enterprises which have been transferred to the CDDs, the only mechanism envisioned for their "privatization" is conversion into cooperatives. The GOB seems to be very aware of the potential political costs of embarking on a major privatization effort -- particularly given the labor troubles associated with the break-up of COMIBOL. The sheer size of the SOE problem, the potential for corruption in divestiture, the socio-economic and political environment, and the lack of human resources and time to devote to the task all inhibit the government from making a commitment to privatization.

State-owned enterprises in Bolivia are involved in a very broad array of economic activities, including the provision of most basic services. Over 100 SOEs were identified in the inventory conducted, in economic areas literally ranging from matchsticks to milk (see Appendix 1). As the table below indicates, SOEs are major employers and sources of foreign exchange, and they dominate key economic sectors.

Major SOEs - Economic Indicaters, 1985

Enterprise	Employees	Exports ($ millions)	% of Sector
COMIBOL (Mining)	24,451	31	70
ENAF (Smelting)	1,991	133	100
YBFB (Petroleum & Gas)	8,377	374	100
ENDE (Electricity)	494	-	90
ENFE (Railroads)	7,415	-	100
ENTEL (Telecomunications)	1,542	9	100

In 1986, despite sharp cuts in investment expenditures, the total deficit of the SOEs will be approximately $150 million, equal to two-thirds of the government's operating deficit.

The problem of SOEs has also "trickled down" to the CDDs, increasing the complexity of the issue. CDDs have created their own SOEs, which are largely inefficient and unproductive, and have inherited the enterprises transferred by the CBF. (The portfolio of SOEs of Santa Cruz is attached for illustrative purposes, Annex 2.) Increasingly, there is an awareness at the cabinet level that the transfer of CBF enterprises to CDDs has only "decentralized inefficiencies," in addition to creating a managerial headache and a fiscal drain at the regional level, which may eventually return to haunt the central government. This fact is also becoming recognized by some of the CDDs, which are now searching for ways to rid themselves of state-owned enterprises so that they can focus on infrastructure development issues.

III. KEY CONSIDERATIONS FOR A SUCCESSFUL PRIVATIZATION STRATEGY IN BOLIVIA

The success of a privatization strategy in Bolivia will depend on the right timing, the structure of the program, a strong government commitment to the effort, and the availability of the necessary resources--human, technical and financial--to carry out the process smoothly and efficiently. As in all political processes, the anticipation of problems is fundamental, as is proper preparation of public opinion to accept and support the government's program.

A. Anticipating Problems and Pitfalls. To assure success in both the initiation and implementation of the privatization process, the government and USAID should be aware of and prepared to deal with a series of problems which characteristically arise in this type of effort. Some of these are common to any privatization effort, while others are singular to the Bolivian case. Some of these common issues are:

Valuation. What system is to be applied, and how can the interest of the state be protected, while at the same time an acceptable price be established for money losing enterprises?

Acceptable Buyers. To whom should SOEs be sold, at what price, and how can sales be structured to avoid increased concentration of wealth?

Management of Privatized SOEs. Will the buyers of SOEs continue to expect government privileges and subsidies, how will monopolies and oligopolies be dealt with, and how can improved productivity and efficiency be obtained?

Bureaucratic and labor resistance. How can opposition by officials who face loss of status or privileges, and workers who fear loss of jobs, be reconciled to privatization efforts?

Foreign Investment. If sales are to be made to foreign investors, how will they be structured and how will they be explained to public opinion?

Accusations of Corruption. How will large write downs of assets be justified, and what procedures will be put in place to assure that no one is unfairly benefiting from government contacts?

Public Opinion. How can the benefits of privatization best be presented to the public, and how can political attacks on the program dealt with most effectively?

<u>In the Bolivian case, the social, political, economic and legal environment presents serious obstacles to the successful initiation and execution of a privatization strategy</u>. Among the key factors one must address are:

1. An engrained statist philosophy, not only in the government but also in large sectors of public opinion, created by years of state intervention in productive activities and prevailing political beliefs.
2. A weak, small and disorganized private sector with a substantial concentration of wealth in a few large groups. This poses a serious problem in finding suitable buyers for large SOEs.
3. The lack of an entrepreneurial spirit and capacity, with a few exceptions (e.g., the mining sector).
4. A lack of capital and of capital markets to facilitate the sale of SOEs. During the Siles administration, the private sector was badly damaged, psychologically and financially, and the banking system almost dissappeared; thus, it will be very difficult to raise capital from these sources.
5. A strong, politically-oriented labor movement which will probably oppose a privatization program, particularly given the current controversy over the government's attempt to decentralize COMIBOL.

6. A weak administrative framework and lack of executing capacity in the central government and most of the CDDs, as well as a lack of competent professionals.
7. A complex and unclear legal structure which will require changes and modifications to facilitate privatization, ranging from valuation procedures to financing possibilities.

B. <u>Government Commitment</u>. The major factor necessary to assure success of a privatization effort is strong government commitment. This must be made explicit not only in policy statements, but also through specific supportive actions. This commitment should entail the following:

1. An internal policy statement, to be approved by the Council of Ministers, which would cover the basic orientation and strategy of the privatization effort, including its scope and the list of enterprises to be the targets of privatization.
2. Given the absence of an existing body within the government to carry out the program, a high level privatization unit should be established immediately. This unit, which must have full political support, should have a small staff and simple structure, emphasizing speed, flexibility, efficiency and access to the necessary external technical and financial resources.

3. The preparation of a communications plan to create a positive atmosphere for the program. The assistance of media or communications experts may be required to best inform the public of the purpose of the government's program, the problems and costs associated with state-owned enterprises, and the benefits to be achieved by a successful privatization effort.
4. The passage of the minimum necessary legislation to assure a smooth privatization process. This legislation should include the empowerment of the privatization unit, clarification of valuation methods, simplification of sales and transfer procedures, the establishment of financial terms for the sale of enterprises, and the allocation of resources to fund the effort.
5. The establishment of adequate macro-economic policies for the privatized enterprises, in particular elimination of special privileges, de-regulation, and the promotion of competition and efficiency.

C. Availability of External Technical Advice. The ability to draw on external technical advice, both at the overall policy level and for specific actions, should facilitate considerably the efficient functioning of the privatization unit and the sale of the individual enterprises. Obtaining and funding this assistance should be a major contribution of international agencies. In the case of Bolivia, it is felt that the privatization unit should have one general advisor, supplemented by other experts (e.g., industry specialists, valuation experts, legal advisors, media and communications professionals). The role of the external advisor would be:

1. To assist the privatization unit in setting up its internal organization, recruit and train its staff, and coordinate work with the responsible persons in the CDDs.
2. To establish the necessary information and data management systems.
3. To provide valuation experts to assess SOEs.
4. To assist in the preparation of sales memoranda and distribution of information on individual companies.
5. To find buyers, assist in the negotiation of sales, and develop bids and bid procedures.
6. To review legislation and administrative procedures, and recommend new legislation and the simplification of procedures.
7. To assist in the preparation of financial packages for each transaction.
8. To coordinate financial and management assistance for the new buyers.

D. Financial Support. The difficult financial situation of the Bolivian government, the limitations of capital available in the private sector, and the minimal interest of foreign investors in the country, all add up to a distinct limitation for the privatization process.

To facilitate the effort, funding and financial mechanisms must be made available for the following purposes:

1. Financing sales of enterprises or assets .
2. Severance pay for workers where there is excess personnel.
3. Refurbishing or modernizing certain industries.
4. Managerial and technical assistance for the new companies.
5. Funding the privatization unit's activities.
6. Working capital.

The sourcing of the required funds and financial mechanisms could be from:

1. Capital input from the private sector.
2. The government, by extending terms for the purchase of shares.
3. International agencies, mainly USAID and IBRD, who can finance sales and working capital.
4. Investment institutions such as the IFC which can participate as shareholders and lenders.

5. Foreign investors who have funds locked into Bolivia, or who can be attracted through mechanisms such as debt-equity swaps.
6. The local banking system through the promise of guarantees.

To initiate the privatization process it will be necessary to have some basic financial mechanisms in place, and a certain amount of funds committed from international agencies.

IV. ELEMENTS OF A PRIVATIZATION STRATEGY IN BOLIVIA

Considering the nature of the problem defined above, and recognizing that the solution will have to be achieved over time and within the capabilities of GOB and USAID, we recommend a two-track strategy which focusses on "targets of opportunity." Rather than a full divestiture/privatization strategy--which we believe would be difficult to sell politically and almost impossible to implement, we propose a gradual approach which begins with selected industries at the departmental level and expands slowly to encompass the major national SOEs. Its two basic thrusts are:

Freezing the Status Quo - curtailing any new investments which would increase state intervention in the economy and/or further aggravate the fiscal situation, while establishing a centralized privatization unit to be called "Unidad de Razionalizacion de Empresas Estatales."

Initiating Privatization - selecting certain industries (milk and light manufacturing) owned by the CDDs as targets for privatization and moving directly to sale or liquidation.

Implicit in this approach is our firm conclusion that GOB and USAID must move quickly to take advantage of the situation created by the dissolution of the CBF, while preparing the groundwork for the central government to seize upon future windows of opportunity. In addition, this strategy is compatible both with the political calendar facing the Paz Estenssoro government and the traditional time frame of USAID interventions.

A. Project Rationale. A gradual approach to divestment and privatization of SOEs is the most sensible strategy for the GOB and USAID to pursue. A major effort to restructure the holdings would lead to tremendous inefficiencies, political and bureaucratic turmoil, and the probable abandonment of the effort. The complexity of the actions required and the existing socio-economic and political environment would severely limit the prospects for meaningful change and program success.

The recommended initial focus on the CDDs, and specifically the milk and light manufacturing industries they own, has been consciously made. This reflects, primarily, the relative ease of beginning with SOEs whose original purpose included the eventual transfer of ownership to the private sector. Moreover, the SOEs transferred by Executive Decree 21060 from the CBF to the CDDs (including the milk industry) provided for their prompt transfer to the private sector through the mechanism of producer associations or cooperatives. The key factors in selecting the milk industry and the light manufacturing activities of the CDDs are: streamlined legal and bureaucratic procedures facilitating their transfer to the private sector; interest (especially in Santa Cruz) on the part of CDD officials in selling or transferring SOEs; the existence of producer groups highly interested in acquiring these enterprises; the small size of the transactions facilitates their financing prospects; the political viability of these sales as examples of the "democratization of capital"; the probability that these enterprises could be managed profitably by private groups without government subsidies; and the "demonstration effect" of the successful transfer of these SOEs on other CDDs and at the national level.

B. The Milk Industry: An Illustrative Case

To illustrate some of the issues and the magnitude and type of financial requirements involved, following is a brief analysis of the milk industry, the prime candidate for privatization.

The candidates to buy the industry are local milk producer associations who currently supply raw milk to the plants. They have limited financial resources but could commit assets for guarantees and a percentage of milk deliveries for payment.

The structure of the milk industry is as follows:

LOCATION	INSTALLED CAPACITY LTS/DAY		ESTIMATED VALUE MILLIONS US. $
Santa Cruz	120,000		4MM
Cochabamba	120,000		4MM
La Paz	55,000		2MM
Tarija	40,000		2MM
Sucre	8,000		0.5MM
		Total	12.5MM

To make sales more attractive to CDDs, a down payment of at least 20% of the value might be required. Even so, it would probably be difficult to obtain more than half of this amount from the milk producers; thus the balance of the down payment would have to be financed with international donor funds.

The remaining 80% could be financed by the CDDs with local bank gurantees at 5 to 10 year terms with an interest rate at LIBOR plus 1.5% p.a.

The total package would look as follows:

Down Payment by producers	U.S. $ 1.25MM
Down payment financed by USAID (maximum)	U.S. $ 1.25MM
Balance financed by CDDs	U.S. $10.00MM
Total	U.S. $12.50MM

An additional amount would probably be needed for working capital financing (US $750,000) and for valuation and technical and managerial assistance (US $250,000), which might be funded by USAID. The total commitment by USAID for the milk industry privatization could total U.S. $2,250,000.

Finally, to assure a successful privatization strategy the GOB must take certain policy measures in the milk industry:

(a) De-regulate and allow price competition among plants.

(b) Re-evaluate milk import policies.

(c) Clamp down on milk contraband.

(d) Continue dairy livestock promotion efforts.

C. Centralized SOEs

The recommended strategy does not imply that other efforts to reorganize, deregulate, privatize and/or divest other GOB entities should not take place. Rather, it implies that the likelihood of short term success is greatest if a focussed attempt is initiated at the regional level on the selected industries. A related, but very different treatment, must be accorded to SOEs owned by the central government, for several reasons:

- Sheer size, which may require a complex series of legal arrangements to permit privatization/divestiture.
- Lack of local capital, which would probably require special financing mechanisms or direct foreign investment, which is difficult to obtain and politically controversial.
- Cost, not only in terms of purchase price, but also including worker severances, bureaucratic and labor resistance, and political fall-out.
- A long time frame for implementation, given the higher requirements for valuation, legal transfer, planning, and execution of a highly visible political project.
- Higher probability of failure, given the complexities and poor financial health of the major SOEs, creating the risk of losing momentum and eroding support for the entire process.

Consequently, the initiation of a process to privatize/ divest the major SOEs should wait until the centralized privatization unit is well-established (funding and staffing) and can point to demonstrated successes at the regional level. In the interim, the strategic thrust should be to contain the growth of the state, including: initiating feasibility studies of deregulation, liquidation of enterprises, and contracting out of services; assisting the government in strategic sectors (mining and petroleum); and focussing on the critical transportation sector (LAB and ENFE) to ease the severe bottlenecks to economic activity. Over the fist year, the privatization unit should define the priorities for future action at the central government level, including developing a list of priority target areas for privatization/ divestiture.

D. Establishing the Privatization Unit. The creation of the "privatization unit" as the responsible body to carry out the government's mandate is crucial to the success of the process. For image purposes it should have a neutral/value free name, such as "Unidad de Raionalizacion de Empresas Estatales".

The structure should be simple, consisting of:

1. Reporting authority to the Ministry of Planning.
2. An interdepartmental advisory board composed of the ministers of Planning, Finance, Industry and Commerce, Transportation and Communications, and Mining, and two representatives of private sector associations.
3. An experienced unit head, preferably with a financial background, impecable moral and ethical character, and political support.
4. Five specialists, including a lawyer, who would carry out the assigned tasks with the minimum of bureaucratic procedures.
5. A permanent external advisor to be available on a preestablished program.
6. Specialized advisors to be called in for specific tasks.

The activities of the unit would emphasize coordination between the government and CDDs , assistance in the decision-making process, and provision of technical expertise in privatization.

E. Action Plan

The proposed short term action program for privatization would begin in late 1986 and would be carried out over the ensuing 12 months. It would require actions to be carried out by the GOB, USAID/B and external advisors, in some cases simultaneously.

Following is a detailed list of the actions required:

Government of Bolivia

(1) Create and empower a centralized privatization unit reporting to the Ministry of Planning to be called "Unidad de Razionalizacion de Empresas Estatales".

(2) Prepare job descriptions and functions of unit, along with operating budget.

(3) Appoint unit head and basic staff.

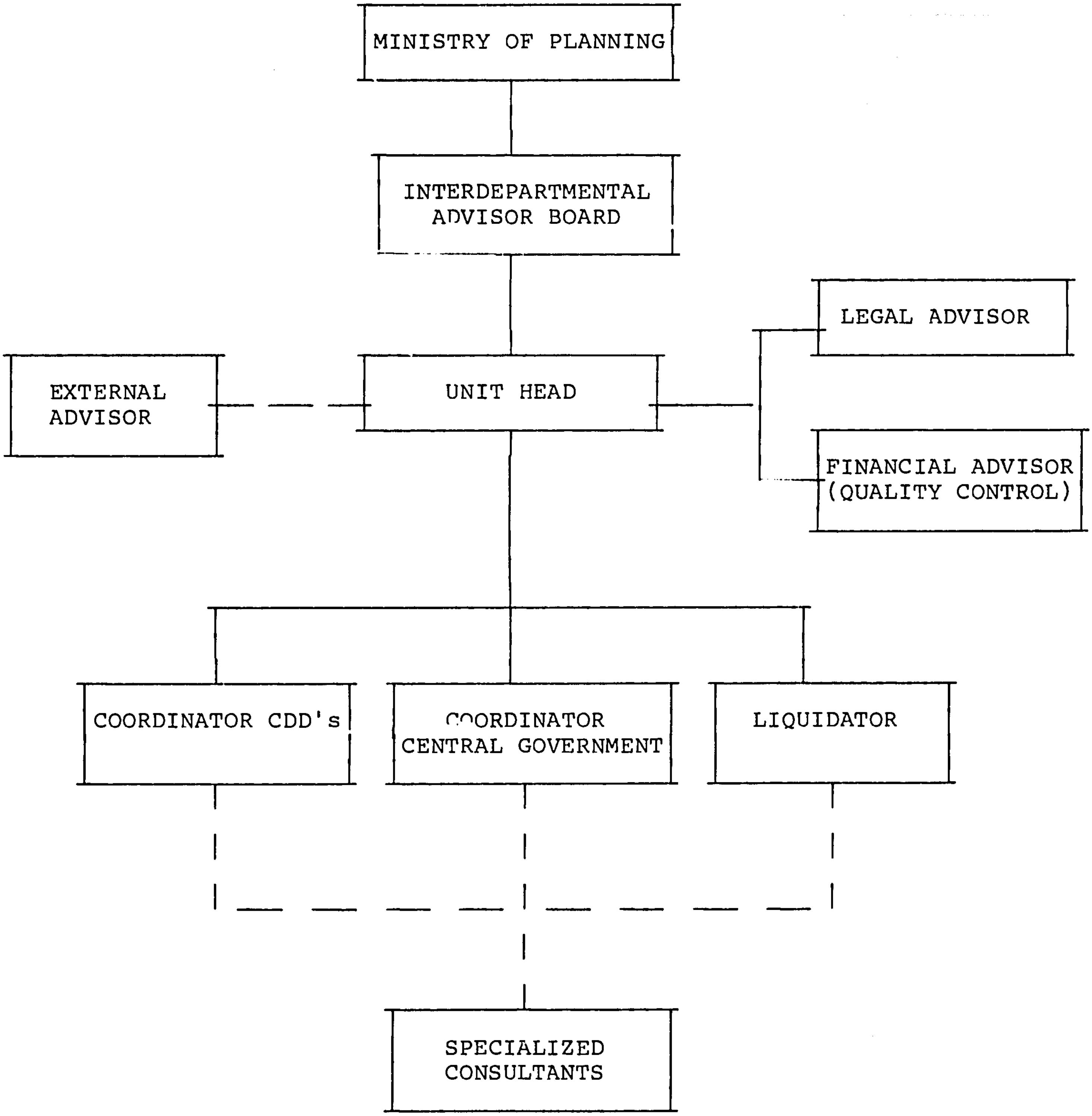
(4) Coordinate positive political backing and begin public opinion campaign.

(5) Define privatization strategy.

(6) Pinpoint SOEs to be privatized and the strategy for each, choosing those most suitable for privatization due to ease, acceptability, etc.

   (a) Specific industries or groups of industries (milk, bricks, etc.) owned by CDDs, starting with Santa Cruz.

PRIVATIZATION UNIT ORGANIZATIONAL STRUCTURE



(b) Define priorities for La Paz to be executed once other CDDs have shown results.

(c) Other critical money loosing SOEs.

(7) Hire advisors and industry experts as needed.

(8) Define necessary legal framework to facilitate privatization and enact necessary legislation.

(9) Define procedures and guidelines for sales and other divestiture actions.

(10) Proceed on specific sales.

<u>USAID/Bolivia</u>

(1) Assist GOB in developing strategy, including legal and financial mechanisms for privatization.

(2) Define sources and quantify funding for privatization measures during FY 87.

(3) Include privatiztion as conditionality for ESF facility.

(4) Assign funds for:

(a) Funding of centralized unit.

(b) Funding of external advisor and experts.

(c) Purchaser financing and operating capital.

(5) Appoint a coordinating officer for the Mission with the centralized privatization unit.

(6) Assist in hiring of advisor and experts.

(7) Coordinate and assist in the establishment of the financial mechanisms to facilitate privatization.

(8) Integreate existing programs with privatization efforts.

Advisor and Experts

(1) Provide general advisory and strategy formulation for divestiture process to GOB and USAID.

(2) Provide advice on legal measures to be enacted.

(3) Assist in the preparation of privatization system and procedures.

(4) Train centralized privatization unit staff.

(5) Conduct industry analyses of specific industry groups.

(6) Carry out audits and evaluations of enterprises slated for sale.

(7) Assist in specific sales transactions, by:

   (a) Preparing sales memoranda

   (b) Preparing potential buyer lists

   (c) Preparing bid documents and information memoranda

   (d) Sales processes and negotiations

(8) Assist in the creation of financial mechanisms for buyers and operating capital for purchased SOEs.

(9) Assist in the preparation of financial packages for individual transactions.

V. USAID/BOLIVIA ROLE

USAID/Bolivia will have to play a key support role if privatization is to succeed. Although USAID should remain in the political background, its support will be needed in three critical areas: persuasion, technical assistance, and financial resources.

Persuasion, or the leveraging of USAID's resources, may be required in several areas. The privatization process could easily stall or be derailed, and USAID's influence might be critical to sustain momentum. Among the possible areas of important USAID involvement are:

- The development of inter-ministerial agreement on a privatization unit.
- The choice of personnel for the privatization unit.
- The effort to pass a divestiture law.
- The elaboration of flexible, meaningful regulations.
- The coordination of multilateral donor efforts.
- Negotiations between the central government and the CDDs.

Equally important is the provision of technical assistance funds to hire consulting services for the following areas:

- Training of the privatization unit.
- Design of a strategic plan for divestiture/ privatization, focussing initially on the CDDs.
- The drafting of the divestiture law.
- The valuation of assets on a company-by-company basis.
- The determination of financing requirements and/or technical assistance necessary to implement a divestiture plan.
- The implementation of the plan, including preparation of sales memoranda, negotiations, buyer/lessee/ management contract searchs.

The financial support required from USAID will vary, depending on the scope of the program and success in attracting support from other donors. However, USAID should be prepared to provide funds for a pool to finance buyers, or to cover extraordinary costs of the GOB incurred in the divestiture process, including employee severance payments, privatization unit expenses, and legal expenses.

Over the near-term USAID/Bolivia needs to examine its portfolio to determine which existing programs can be used in financial support of a privatization strategy. Prime candidates for sources of funds are P.L. 480 Title III and the New Market Towns project, particularly since both are oriented towards agro-industry and are relevant to the possible privatization of the milk industry. In addition, the Mission's micro-enterprises project and the technical assistance program for cooperatives should be re-examined in light of the proposed privatization effort. Finally, the Mission should consider including specific privatization targets in future ESF negotiations.

ANNEX I

BOLIVIAN STATE ENTERPRISES

Area of Economic Activity

I. SUGAR MILLS

1. Ingenio Bermejo - Tarija*
2. Ingenio Guabira - Santa Cruz **

II. MILK PLANTS

1. PIL - Cochabamba **
2. PIL - Sucre **
3. PIL - La Paz **
4. PIL - Santa Cruz **
5. PIL - Tarija **

III. AGRO-INDUSTRY

1. Fabrica de Aceites Villamontes - Tarija **
2. Programa Agricola Oleaginosas y Maiz Gran Chaco (PAOM) - Tarija
3. Criadero de Truchas Piusilla - Cochabamba *
4. Planta de Pollos BB Km. 75 - Chuquisaca *
5. Frigorifico Los Andes - La Paz - (closed)*
6. Planta Elaboradora de Queso (PEQ) - Santa Cruz*
7. Alimentos Balanceados (ALBAPOR) - Santa Cruz*
8. Planta de Alimentos Balanceados - Tarija*
9. Industrias Agricolas - Tarija*
10. Mataderos Municipales
11. Planta de Silos Sachojere - Beni*
12. Laminadora de Goma, S.A.M. - Beni*
13. Planta Beneficiadora de Castana - Beni**
14. Planta Procesadora de Tarhui - Cochabamba*
15. Planta de Te - Chapare - Cochabamba**
16. Planta Industrializadora de Aji - Chuquisaca*
17. Planta de Te - La Paz**
18. Planta Beneficiadora de Castana - Pando**
19. Planta de Alimentos de Maiz (PAM) - Santa Cruz*
20. Planta Envasadora de Tomates y Hortalizas - Pethosam-Santa Cruz*
21. Empresa Nacional de Arroz - ENA
22. Centros de Acopio de Trigo
23. CONALDE - Chuquisaca (closed)

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* State enterprises of the regional development corporations.

** Formerly owned by the Corporacion Boliviana de Fomento (CBF); transferred to the regional development corporations.

IV. FARMING AND LIVESTOCK

1. Proyecto Ganadero Reyes - Beni**
2. Proyecto Ganadero Santa Martha - Beni*
3. Proyecto Porcino CRD - Beni*
4. Proyecto Porcino FGP - Chuquisaca*
5. Proyecto Ovino Corralon Mayo - Chuquisaca*
6. Proyecto Camelidos Turco - Oruro*
7. Proyecto Ovino Rio Mulatos - Potosi*
8. Granja Lechera - Puna - Potosi*
9. Cabana Lechera Todos Santos - Santa Cruz*
10. Todos Santos Hirtner - Santa Cruz
11. Fondo Ganadero (FOGOSAN) - Santa Cruz*
12. Proyecto Agricola y Riego Villamontes - Tarija**
13. Empresa de Industrias Lacteas (EIL) - Cochabamba

V. CEMENT, BRICKS, CONSTRUCTION

1. Fabrica de Ceramica Roja - Beni - (closed)*
2. Fabrica Boliviana de Ceramica (FABOCE) - Cochabamba**
3. Fabrica de Ceramica Roja - Oruro*
4. Fabrica de Ceramica Roja - Pando (closed)*
5. Fabrica de Ceramica Roja - Santa Cruz*
6. Fabrica de Ceramica Roja - Camiri - Santa Cruz*
7. Fabrica Nacional de Cemento (FANCESA) - Chuquisaca*
8. Fabrica de Cemento - Tarija*
9. Superintendencia General de Obras - Cochabamba**

VI. LIGHT MANUFACTURING

1. METALCO - Cochabamba
2. Fabrica de Vidrio Plano (FANVIPLAN) - La Paz**
3. Fabrica de Envases de Vidrio - Tarija*
4. Taller Artesanal de Ceramica - Chuquisaca*
5. Industrias Metalicas (INMETAL) - La Paz**
6. Fabrica de Fosforos - La Paz
7. Planta Textil (INFOL) - La Paz*
8. Hilanderia Santa Cruz*
9. Fabrica de Objetos de Peltre - Oruro*
10. Fabrica de Cadenas - Oruro*
11. Industrias de Papel (PITASA) - Tarija

VII. MINING AND METALLURGY

1. Corporacion Minera de Bolivia (COMIBOL)
2. Empresa Nacional de Fundiciones (ENAF)
3. Complejo Metalurgico Karachipampa
4. Empresa Siderurgica Boliviana (SIDERSA)

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* State enterprises of the regional development corporations.
** Formerly owned by the Corporacion Boliviana de Fomento (CBF); transferred to the regional development corporations.

VIII. HYDROCARBONS AND CHEMICALS

1. Yacimientos Petroliferos Fiscales Bolivianos (YPFB)
2. Quimica Basica Bolivia, S.A.M.

IX. TRANSPORTATION

1. Lloyd Aereo Boliviano (LAB)
2. Linea Aerea Imperial (LAI) - Potosi*
3. Empresa Nacional de Ferrocarriles (ENFE)
4. Ferrocarril Guaqui-La Paz
5. Empresa Naviera Boliviana
6. Empresas Nacionales de Transporte Automotor (ENTA) - Municipalities

X. PUBLIC UTILITIES

1. Empresa Nacional de Electricidad (ENDE)
2. Empresa Nacional de Telecomunicaciones (ENTEL)
3. Empresa Nacional de Television
4. Servicio Municipal de Agua Potable y Alcantarillado - La Paz (SAMAPA)
5. Sercicio Local de Acueductos y Alcantarillado (SELA) - Oruro
6. Administracion Autonoma para Obras Sanitarias Potosi (AAPOS)
7. Servicio Municipal de Agua Potable y Desagues Pluviales de Cochabama (SEMAPA)
8. Empresa Local de Aguas Potables y Alcantarillado de Sucre (ELAPSA)
9. Administracion Regional de Obras Sanitarias de Tarija (AROS - Tarija)
10. Administracion Regional de Obras Sanitarias de Beni - (AROS - Beni)

XI. BANKING AND FINANCE

1. Banco del Estado
2. Banco de la Vivienda
3. Banco Minero
4. Banco Agricola
5. Fondo Nacional de Explotacion Minera

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* State enterprises of the regional development corporations.

XII. <u>OTHERS</u> (Services)

1. Centro Nacional de Computacion (CENACO)
2. Administracion Autonoma de Almacenes Aduaneros (AADAA)
3. Administracion de Aeropuertos y Servicios Auxiliares a la Navegacion Aerea (AASANA)
4. Direccion General de Correos
5. Loteria Nacional de Beneficiencia
6. Hoteles Prefecturales
7. Hotel Terminal - Oruro*

XIII. <u>MILITARY</u>: <u>Corporacion de las Fuerzas Armadas para el Desarrollo Nacional (COFADENA)</u>

1. Empresa Agricola Ganadera de Guabira
2. Empresa Agricola Bermejo
3. Empresa Lechera Tamborada - Cotopachi
4. Empresa Ganadera Campo 23 de Marzo
5. Empresa Agroindustrial La Gaiba
6. Empresa Nacional Automotriz (ENAUTO)
7. Fabrica Militar de Articulos de Cuero y Muebles
8. Empresa de Explotacion de Recursos Hidraulicos
9. Fabrica Nacional de Explosivos y Accesorios S.A.M. (FANEXA)
10. Utiles de Roscar Bolivia S.A.M. (URBOL)

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* State enterprises of the regional development corporations.

ANNEX II

CORDECRUZ - Inventory of SOEs

Enterprise	Date Founded	Original Investment	Employees	Comments/ Possible Disposition
PEQ (cheese)	1958-59	$ 1.0 million	19	Sell
PAM (corn flour)	1979	$ 3.26 million	40	Sell, close
ALBAPOR (animal foods)	1976	$ 1.3 million	59	Sell
Hilanderia	1981	$30.0 million	125	close; 20-30% capacity; over-dimensioned
Ceramica Roja Robore	1983	$ 0.14 million	16**	Sell to producers
Ceramica Roja Camiri	1983	$ 0.14 million	16**	Sell to producers
Pethosam tomato & vegetable plant-canning	1983	$ 0.4 million	15**	Sell to producers
Fondo Ganadero	1981	$ 6.0 million	13	Bankrupt- close
PIL (milk)*	1977	$ 3-4 million	100	20% capacity; sales $9,000 daily. Sell to producers
Ingenio Azucarero Guabira*	1956	$30-40 million	912	Diversify; rehabilitate; transfer
Cabana Lechera Todos Santos*	1982	$ 3 million	22	Transfer to milk producers

* Transfer from CBF.
** Projected when operations come on stream.

ANNEX III

BOLIVIA PRIVATIZATIOIN TEAM

Robert D. Bond and Ismael Benavides

LIST OF APPOINTMENTS IN BOLIVIA

Date	Time	Person and Institution Visited
Sept. 8	14:00	George A. Wachtenheim, Robert J. Asselin, T. David Johnston, Ernesto Garcia USAID/Bolivia
	16:00	Jose Sanjines, P.L. 480, Title III
Sept. 9	09:30	Carlos Iturralde, President and Javier Murillo, Executive Director Confederacion de Empresarios Privados de Bolivia
	11:00	Victor Hugo Ortega, Sub-Director Empresa Nacional de Arroz (ENA)
	17:30	George A. Wachtenheim, Director USAID/Bolivia
Sept. 10	10:00	Juan Cariaga, Minister of Finance Ramiro Ortega, Deputy Minister
	16:00	Gonzalo Sanchez de Lozada, Minister of Planning and Coordination; Fernando Candia and Ernesto Machicado, Deputy Ministers
Sept. 11	09:00	Jaime Aponte, General Manager Corporacion Boliviana de Fomento (CBF)
	11:00	Oscar Cornejo, President, CORDEPAZ
	12:30	Ernesto Machicado, Ministry of Planning and Coordination
	14:00	Edward Rowell, U.S. Ambassador to Bolivia
	19:00	Depart for Santa Cruz

Date	Time	Person and Institution Visited
Sept. 12	TRIP TO SANTA CRUZ	
	09:00	Julio Kempff Suarez
	10:30	Wolfgango Pena, Ernesto Antelo, Ovidio Roca, Camara Agropecuaria del Oriente
	12:30	Jorge Suarez, Carlos Arauz, Planta Industrializadora de Leche
	16:00	Oswaldo Roman, Armando Justiniano, CORDECRUZ
Sept. 15	09:00	Roberto Gisbert, Minister of Industry, Commerce and Tourism
	11:00	Antonio Sanchez de Lozada, Controller General of the Republic
	16:00	George A. Wachtenheim, USAID/Bolivia
Sept. 16	11:00	Alfredo Buchon, President, Banco del Estado
	14:00	William Lofstrom, Political Counselor, U.S. Embassy
	16:00	Ronald McLean, Mayor of La Paz
Sept. 17	10:30	Gral. Jaime Nino de Guzman, President, Lloyd Aereo Boliviano, Gral. Ronald de la Vega, Director
	17:00	Dr. Julio Mendieta, Lawyer

Date	Time	Person and Institution Visited
Sept. 18	TRIP TO ORURO	
	10:30	Carlos Cespedes, General Manager, Eduardo Alandia, Economist, Empresa Nacional de Fundiciones (ENAF), Plant Visit
	14:30	Vicente Guerrero, Director, Planning and Projects, CORDEOR
	16:00	Visit of Hotel Terminal
	17:15	Visit to Ceramica Roja
Sept. 19	10:00	Jaime Escobar and Roberto Caro, Central Bank of Bolivia
	14:30	David Hoelscher, IMF Representative
Sept. 22	REVIEW OF DOCUMENTS	
Sept. 23	TRIP TO COCHABAMBA	
	09:30	German Medrano, President, CORDECO, Hugo Melgar Alvarez, Executive Secretary, CORDECO
	10:15	W. Flores Medina - CORDECO, Luis Uzin, FABOCE
	11:30	Roberto Pena, President, Federacion de Empresarios Privados de Cochabamba
	12:30	Lunch, Jaime Mendez, President COBOCE
	14:30	Mario Mercado, President, Asociacion de Productores de Leche
Sept. 24	PREPARATION OF MATERIALS	
Sept. 25	10:00	De-Briefing, USAID staff
	15:00	Presentation of Findings: Officials,