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Privatization Strategy for Bolivia

Final Report

November 12, 1990

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Price Waterhouse

November 12, 1990

Mr. Carl Leonard
Director, USAID/La Paz
Banco Popular del Peru Bldg.
Corner of Calles Mercado and Colón
La Paz, Bolivia

Dear Mr. Leonard,

We are pleased to present six copies of the Final Report, Privatization Strategy for Bolivia, prepared by a Price Waterhouse team of Auguste Rimpel, Dick Breen, Richard Downer, Steven Sharpe, and Jeanne Balcom. The objective of this engagement was to propose a revised strategy for privatization based on the lessons learned in other countries with respect to the political, economic and social environment in Bolivia. This revised strategy reflects the changes that have taken place in Bolivia and in the world since the original privatization strategy was put forth. Our information is based on interviews with leading members of the government, financial and private sectors in Bolivia, and interviews with USAID/Bolivia officials and members of various international organizations.

The enclosed report presents recommendations for a privatization strategy, a financing strategy, and a legal framework that would provide the basis for a successful privatization program in Bolivia.

We appreciate the opportunity to be of service to you on this important engagement. Please feel free to call us if you require any further assistance.

Sincerely,

Price Waterhouse

cc: Mr. Julio Patiño, USAID/PSD.
Ms. Sandra Frydman, AID/PRE/PD

RECOMMENDATIONS FOR A PRIVATIZATION STRATEGY FOR BOLIVIA

USAID/BOLIVIA

TABLE OF CONTENTS

EXECUTIVE SUMMARY

I. BACKGROUND

A. Economic and Political Framework

Since the revolution of 1952, Bolivia has pursued an economic model that has resulted in the state ownership of 157 enterprises, ranging from petroleum and mining to matchsticks and ceramics. This economic model is based on the philosophy that the state should own those productive sectors which are most strategic and those where the social purpose has not been fulfilled.

Following a decade of debt-led growth in the early eighties, Bolivia experienced a severe economic crisis with hyperinflation reaching 28,000%. To respond to this crisis, the Paz Estenssoro government, which took office in 1985, launched a courageous stabilization and structural adjustment program which achieved impressive results in terms of halting inflation, reducing the public sector deficit, adjusting the exchange rate and increasing the role of market forces in the Bolivian economy.

Despite the fact that rapid growth has been the stated main economic objective of the Government, Bolivia has not been able to achieve a growth rate that surpasses population growth. The key to growth in Bolivia is to attract and/or repatriate more capital and technology to the productive sectors. The creation of a legal, political and economic framework to support increased investment (i.e. the passage of the investment, mining, and hydrocarbons laws) and privatization are the primary components of a sound growth strategy.

The massive state ownership of the productive sectors constitutes a major stumbling block to growth. The state-owned enterprises are often inefficient, poorly managed, loss-making institutions. Even more critical to the growth process, the state lacks the resources to finance expansion of its more profitable companies. Therefore, the only way for these industries to grow and to drive the growth of the economy as a whole is to attract more private investment and technology. The key to attracting more investment and technology is privatization.

B. Context for Privatization

With the recognition by even the former socialist governments of Eastern Europe and the Soviet Union that state dominance of the means of production is counterproductive to growth, there now exists a more conducive climate worldwide for privatization. Privatization is becoming less an ideological question and more a pragmatic policy option for governments in search of greater efficiency and growth in their productive sectors.

In Bolivia, there is a growing consensus among key political leaders regarding the need for privatization. Bolivians are beginning to actively debate the merits of "privatization," which was not the case a year ago. The President also seems to be supportive of privatization and has instructed the Commission for the Evaluation of Public Enterprises to study options for privatization and to draft a privatization law. A number of politicians have expressed concern, however, regarding the possibility of "lost jobs" as a short term result of privatization and are unsure how precisely to implement privatization. On an aggregate level, the general public seems to be unaware of the objectives of privatization and of the privatization experiences in other countries.

C. Scope of this Report

USAID/Bolivia contracted Price Waterhouse under the auspices of the AID/PRE Financial Sector Development Project to provide technical assistance at this critical juncture in the privatization process in Bolivia. The scope of our assignment was to provide recommendations for a privatization strategy, a financing strategy, and a legal framework that would provide the basis for a successful privatization program in Bolivia.

II. PRIVATIZATION STRATEGY

A. Lessons Learned From Privatization Efforts in Other Countries

The number of important lessons learned from privatization experiences worldwide has proven that certain ingredients are essential to successfully privatize. We highlight some of the key ingredients for a successful program below:

- Political consensus at the highest level regarding the objectives of privatization and a widespread dissemination of these objectives

2

- Sound policy to set goals which attract the interest of investors and financial markets

- A competent implementing organization

- A direct line to the President for the persons in charge of the privatization process

- Legal authority for the sale of enterprises at market value

On the other hand, there are a number of common pitfalls for privatization programs that should be avoided, namely,

- Focusing the strategy on the sale of loss-making enterprises (i.e. "get rid of the dogs")

- Establishing a pace for privatization which exceeds the capabilities of the financial markets

- Placing an excessive number of conditions on the implementation of privatization

- Setting ambitious quantitative targets and deadlines for implementation which set the program up for failure

- Advertising the sale of enterprises before the offer document is ready

B. Objectives for Privatization

Privatization programs do not achieve satisfactory results unless the highest political level has published formal approval of the established objectives of privatization. The existence of a policy document outlining objectives of the privatization program indicates that there is top-level support and will provide legitimacy to the privatization effort. This document will also help to sell the program to the public. The published objectives should be focused on those which are most important for that particular country and which will have the broadest public appeal.

In the case of Bolivia, we suggest the following objectives be used:

- Promote economic growth and employment without sacrificing hard-earned economic stability

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- Improve efficiency and competitiveness of the economy

- Develop the capital market and democratize ownership of capital

C. Scope for Privatization

It is our view that the privatization process, in order to have a meaningful impact, should be global in scope and include all state-owned enterprises. Only the actual ownership of the hydrocarbon deposits and the nationalized mining groups should be excluded due to constitutional considerations.

D. Mechanisms for Privatization

Privatization can be accomplished through a variety of mechanisms. The basic methods are outright sales of assets or shares, leasing, or contract management. In some cases, the enterprises will have to be liquidated. Joint ventures between YPFB and COMIBOL to explore and produce specific properties are also forms of privatization. The method used will vary from case to case and should be that which best transfers economic risk to the private sector and which maximizes the proceeds to the government.

E. Institutional Framework

There is currently no existing institution, in either the public or private sector, which has the authority or technical capability to implement privatization in Bolivia. We suggest that a Privatization Commission be established for this purpose. The operational objectives of the Privatization Commission should be to:

- Structure a transaction that best transfers economic risk from the government to the private sector while maximizing the proceeds to the government

- Provide adequate safeguards to promote integrity (transparency)

- Implement privatization projects in an efficient and competent manner

4

The public sector must be clearly in control of the privatization, as it is the owner of the assets and has the prime fiduciary responsibility. Nevertheless, it has been our experience that the public sector has not been able to act with sufficient speed and flexibility to properly implement privatization. We therefore recommend that the President of the Republic set up a Privatization Commission staffed with the best talent available from the private sector. The public sector will retain the power to oversee the Commission, to initiate privatizations and to give final approval to transactions.

The Commission would be headed by a Chairman, and be composed of prominent Bolivian citizens respected for their integrity and knowledge of the private sector. The Commission should be assisted by a technical staff which would report to the Chairman, and whose principal task would be to perform the business analysis and evaluation of enterprises to be privatized and make recommendations to the Commission, which in turn would advise the President. We believe that the Chairman should solicit the consensus and support of the full Commission on each proposed transaction, and that the full Commission submit its recommendation to the President of the Republic.

The central government will be held accountable by the public if any privatizations are improperly carried out. In order to minimize corruption and to ensure that the process is competently carried out, we also strongly recommend that the process be centralized in the central unit, even for privatizations taking place in the regions, and that the President give final approval for the execution of all privatization transactions.

F. Public Relations Strategy

A carefully managed public relations campaign is critical to the success of a privatization program. The Government should take the initiative in publicizing objectives and outline its program for privatization. The process should begin with an announcement by the President that the government is adopting privatization as an important part of its economic strategy. This announcement should:

- Outline the objectives of privatization with heavy emphasis on growth and employment
- Explain that legislation on privatization will be put forth to Congress
- Outline the Government's planned program

It should avoid announcing any timetables, any specific privatization candidates, or amounts of money expected to be raised.

Government spokesmen should be briefed confidentially on the issues involved in privatization and equipped to respond to public concerns regarding the effects of privatization. These government spokesmen should be available for radio and television interviews; however, a massive media propaganda blitz is not advisable at this time.

Influential columnists and commentators and Congressional leaders should also be briefed thoroughly on privatization and should participate in extensive question and answer sessions. Another form of disseminating information could be a seminar aimed at educating the general public.

G. Employment and New Investment Strategy

The fear that massive layoffs, such as those which occurred during the COMIBOL restructuring, will be associated with privatizations is often expressed in political circles. However, a sensible pace for privatization, recommended herein, will involve only a few companies per year, and these will require periods of several years to complete negotiations leading to a transfer to private ownership. This will limit the impact of labor redundancies to a level which at any one given time, would be insignificant in the national employment context, and manageable through special programs recommended in this report.

If privatizations are accomplished in conjunction with substantial new private investment, privatized companies will grow and generate new jobs. Given the growth potential of oil, mining, and the telecommunications sectors alone, the growth of jobs generated by substantial new private investment in these sectors will likely be able to absorb workers that may be displaced in less profitable sectors.

To bridge the gap between the time when newly privatized enterprises might need to reduce employment, and the time when the new job generation occurs, and to obtain labor's acceptance of the privatization, we advise that a program be authorized to assist displaced workers. The possible features of such a program should include:

- o Continuing compensation to displaced workers for up to two years
- o Retraining workers

- Redirecting interested workers to other A.I.D. programs aimed at assisting them in setting up their own businesses

This program could be funded through the Bolivian Privatization Fund recommended later in this report.

III. LEGAL FRAMEWORK

We recommend that a privatization law be approved by Congress to provide the proper legal framework for privatization in Bolivia (for all but the mixed companies). By a strict interpretation of the Constitution, an Act of Congress would be required to authorize the alienation of state property. Even though there is some legal precedent for the use of Supreme Decrees to exercise legislative power in Bolivia, it is our recommendation that, given the uncertainty of Executive authority, investors will want the comfort of a Congressional law prior to committing capital.

Based on our experience in other countries, we feel that the law should be as simple and as free of limitations and conditionalities as possible, while at the same time ensuring that safeguards for integrity and transparency are included. We recommend that the law contain the following key points:

- Authority to dispose of any state assets in any way while recognizing the limitations of Articles 138 (nationalized mining groups) and 139 (hydrocarbon deposits)

- Acceptance of valuation based on economic/market value

- Objectives for privatization

- Obligation for the Executive to set up an institutional framework to implement the process

Section IV of the report contains an extended discussion of the legal issues and suggested drafting instructions for a privatization law.

IV. FINANCIAL STRATEGY

A. Financial Objectives

We have based our recommendations on the following financial objectives for privatization:

- Achieve the best possible transfer of economic risk

- Realize the best possible value for the assets transferred

- Ensure that the financial structure for the new entity is sufficiently sound and provides the financial basis for the future viability of the enterprise

- Diversify ownership of capital more broadly throughout the private sector

- Develop the capital markets and long-term savings institutions

B. Key issues in structuring financing privatization in Bolivia

The following are a number of important issues related to the structuring of finance:

- Each of the 157 SOE's will probably require a unique financial structure. A combination of financing mechanisms (equity, long-term debt, subordinated debt, and short-term working capital financing) will most likely be used.

- The financial plan for each enterprise must take into account the initial acquisition cost, working capital, and capital expenses for rehabilitation and/or expansion of the capital stock of the enterprise. The latter is often underestimated. The neglect of this need for capital prejudices the future of the enterprise.

- Capital structures of privatized enterprises must be relatively conservative, with a strong equity component, in order not to threaten the company's

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ability to survive. Experience with privatizations suggests that highly leveraged transactions have a greater propensity to fail and to revert back to Government ownership and responsibility.

- Offering shares to employees at preferential prices and terms should be encouraged as an important part of every share offer.

- To the extent possible, a portion of the shares of significant enterprises should be offered to the public. The Privatization Fund should provide credit to as many people as possible to enable them to become shareholders. Special programs (i.e., Populist Share Offers, see Appendix B) to sell shares through public and private institutions with branches throughout the country could unlock previously unavailable sources of private capital.

C. Financing Sources for Privatization in Bolivia

The Bolivian financial system lacks the depth and the diversity of financial instruments necessary to play a significant role in financing privatization. There is a particular shortage in sources of the long-term capital necessary for privatization to finance the acquisition of these enterprises, or the purchase of shares. This is reflected in a relatively low ratio of financial assets to GNP (financial depth) of around 20%. Over 90% of the financial system consists of commercial banks whose liabilities are mainly short-term and 80% in dollars.

Possible Sources for Financing Privatization

Commercial Banks: The Commercial Banks will probably only be able to provide short-term working capital loans. The banks are thinly capitalized and many are in marginal or unprofitable financial condition with a high level of non-performing assets. Their current position makes it impossible for the banks to participate in much more than the lowest risk transactions. The Savings and Loans and Insurance Companies are also not in a position to participate in any meaningful way in privatization. Foreign commercial banks, in the aftermath of the debt crisis, are unlikely to participate unless a foreign investor guarantees the loan.

Foreign Investors: Another potential source of capital is foreign investment. Foreign investors have expressed a strong interest in investing in joint ventures in mining and oil and will most likely take the lead in any privatizations involving telecommunications, power and the airline. The smaller manufacturing companies or those geared primarily towards the domestic market, may be of interest to investors in similar industries in neighboring countries. Thus, it may be worthwhile to take specific steps to attract regional investors to consider investing in these enterprises.

Local Private Sector: It is difficult to measure how much the Bolivian private sector will be able to participate in the financing of privatization. The economic reports on Bolivia, together with monetary statistics and other data seem to confirm that private sector Bolivian capital is likely to be a limited source of financing. It is widely acknowledged, however, that substantial assets, estimates ranging from $1-4 billion, are owned abroad by Bolivians. This capital will only return if privatization creates favorable investment opportunities, in an atmosphere of stability and confidence.

Local Share Capital: Appearances regarding local capital can be deceiving. Although trading on the Bolsa has yet to begin, evidence from other countries with limited capital markets shows that a surprising amount of capital may materialize when there are good investment opportunities publicized with an effective public relations program. Special programs to sell shares in privatized companies will be necessary, and they have a reasonable chance of succeeding. In selected cases we recommend that the GOB mount a program to grant credit to finance the purchase of shares by Bolivian citizens. Such a program would simultaneously achieve a number of financial objectives: i.e., broaden the ownership of capital and develop the capital markets in Bolivia.

Privatization Fund: In order to provide partial financing on a long-term basis for privatization, we suggest that a multi-donor privatization fund be established. This fund would pool dollar and local currency resources and could be used to provide financing for the purchase of shares by small applicants and for local currency financing for indemnity payments. A reasonable target for this fund would be $40-50 million. The fund could include a Board of Directors representing each of the funding agencies, as well as Bolivian participants, and be managed through a management contract with an appropriate organization.

V. RECOMMENDATIONS FOR USAID'S ROLE

Given the importance of privatization to growth and private sector development in Bolivia, we recommend that A.I.D. continue to play an important role in supporting this process. In this regard, we suggest that USAID provide technical assistance to the GOB and participate along with other donors in providing long-term financing for prospective purchasers of SOE's. Specifically, we recommend the following areas for high impact USAID technical assistance:

- Assist the GOB to develop the proper legal framework to underpin the privatization program.

- Assist the GOB to design and implement a Privatization Commission.

- Assist the Privatization Commission with technical assistance in preparing business analyses of the enterprises to be privatized. These skills will range from financial analysis to marketing and technical.

- Assist the Privatization Commission to design a financing strategy and establish and manage the Bolivian Privatization Fund.

- Assist national and regional private sector associations to play a major role in the privatization process, especially with regards to public information programs.

- Provide local currency and dollar financing for a Bolivian Privatization Fund and encourage multilateral contributions to this fund.

I. INTRODUCTION

USAID/Bolivia gave strong support to the first attempts at privatization under the Paz Estenssoro government. USAID/B sponsored along with the Government of Bolivia the "Industrial Transition Project" which was aimed at assisting the GOB in privatizing selected state-owned enterprises. The agreement for this project, which was designed to provide technical assistance and budgetary support to the GOB's Industrial Transition Commission, was signed on June 25, 1987. Only limited technical assistance, however, was provided under the project due to its short tenure and lack of a clearly defined strategy and workplan. The political will for privatization in Bolivia also dissipated as the elections of August 1989 approached, and the project was suspended at the request of GOB in February 1989.

Background

Today privatization is back on the agenda in Bolivia and is gaining momentum. The Paz Zamora government is moving toward a reactivation of the privatization program. There also seems to be a growing consensus in public and private circles that some kind of privatization of public sector enterprises is necessary to reduce the public sector deficit, to redirect limited public resources to address the social agenda, and to attract the capital and technology required to promote growth in these enterprises and in the economy as a whole. USAID/Bolivia has requested technical assistance from Price Waterhouse under the AID/PRE Financial Sector Development Project to support the GOB at this critical juncture in the privatization process. Price Waterhouse was asked to make recommendations for a privatization strategy, a financing strategy, and a legal framework that would provide the underpinning for a successful privatization program in Bolivia.

The Team

In response to the USAID's request, Price Waterhouse organized a senior-level team of privatization experts to carry out this important engagement. The team includes the following key personnel:

- J. Richard Breen: Team Leader, Price Waterhouse

  Mr. Breen currently serves as Project Director for the AID/PRE Financial Sector Development Project (FSDP) which is aimed at examining, among other issues, the interrelationship between privatization and capital markets development. He has also served as President of two international companies and as both a senior level State Department and USAID official. His broad private and public sector experience ranges from financial sector development and privatization issues to practical aspects of business management and commercial finance.

- Auguste Rimpel: Privatization Expert, Price Waterhouse

  Dr. Rimpel is the Director for International Consulting Practice at Price Waterhouse, responsible for strategic planning, privatization and public sector restructuring. He has recently served as strategic planning/privatization specialist on a major engagement in Ghana to review the Government's portfolio of over 30 SOE's and recommended strategies for privatization. Dr. Rimpel was also PW Project Director on a USAID-funded engagement in Costa Rica to privatize 12 SOE's.

- Richard Downer: Privatization Expert, Price Waterhouse

  Mr. Downer is a management consulting partner in PW/Jamaica. He has provided privatization assistance at the highest levels, including serving for four years as privatization advisor to the Prime Minister of Jamaica. Mr. Downer prepared the framework and implementation plan for large-scale successful privatizations through the Jamaican Stock Exchange, including the successful privatization of the National Commercial Bank, the Caribbean Cement Company, and Telcom. He also worked with Dr. Rimpel to design the privatization strategy for the 30 SOE's in Ghana and has recently completed a study on privatizing telecommunications in Thailand.

- Steven Sharpe: Investment Banker, Shearson Lehman Hutton

  Mr. Sharpe is currently a Vice President in the Investment Banking Division of Shearson Lehman Hutton where he has been involved in numerous privatization transactions. Prior to joining Shearson, he was Vice President of Lloyds International Corporation's Merchant Banking Division. He has also served as Assistant Vice President of Chemical Bank's International Division where he was responsible for managing $1 billion in multinational and Latin American accounts. Steve has worked throughout Latin America and has extensive experience in sourcing, structuring, and negotiating a variety of types of financing, including debt, mezzanine, lease, IRBs, and equity financing.

- Jeanne Balcom: Financial Analyst, Price Waterhouse

  Jeanne Balcom is currently a Senior Consultant assigned to the Financial Sector Development Project at Price Waterhouse. While at Price Waterhouse, she has specialized in privatization, strategic planning, and regulation and supervision of developing country financial institutions. Prior to the assignment in Bolivia she was working on a strategic plan for the largest bank in Colombia. This strategic plan resulted in the restructuring of the bank into strategic business units which could be easily privatized at some point in the future.

The Scope of Work

The objective of this engagement is to make recommendations for a revised strategy for privatization based on the lessons learned in other countries and taking into account the unique political, economic and social environment in Bolivia. This revised strategy will also reflect the changes that have taken place in Bolivia and in the world since the original privatization strategy was put forth.

The scope of this assignment is as follows:

- Make recommendations for the appropriate legal framework for Bolivia.
- Design a privatization strategy.
- Identify possible sources of financing and recommend alternative financing arrangements.
- Outline program objectives, policies, and procedures to be carried out under this strategy.
- Prepare a detailed workplan based on the strategic plan.

15

II. BACKGROUND

A. Bolivia's Historic Focus on Statism

Since the 1950's Bolivia has pursued a statist economic model. In 1952 the Movimiento Nacional Revolucionario (MNR) came to power and launched a program aimed at destroying the traditional mining and farming elites who had dominated the Bolivian economy. The exploitation of the country's natural resources by the economic elites had brought little benefit to the rest of Bolivia. Most of the profits gained in mining and agriculture were invested abroad, government efforts to tax profits were blocked, and their operations generated few positive linkages with the rest of the economy. As part of its program, the MNR nationalized the larger mines and placed them under the management of the state-owned mining corporation.

The rationale behind the government takeover of the mineral deposits was that as long as these industries remained in the hands of the private sector the rest of Bolivia would not benefit sufficiently from the country's endowment of natural resources. For this reason the Bolivian Constitution today places the soil and the subsoil (with all of their natural resources), the nationalized mining groups, and the hydrocarbon deposits under the dominion of the State.

Subsequent governments of varying ideologies, both civil and military, gradually increased the share of the economy controlled by the public sector. Many of state enterprises were created based on the argument that they were strategic industries. Others such as light industry and agroindustry were often created as government-owned entities when the private sector was seen as not having fulfilled an economic need. The Bolivian Development Corporation was created for this reason. Its role was to start up companies and to later spin them off into the private sector. This second phase was never carried out, however, and the companies remained in the public sector. A large number of state enterprises were created in virtually every sector of the economy, including manufacturing, transportation, agroindustry and services. Today government-owned companies are involved in everything from mining, transportation, and public utilities, to producing matches and ceramics.

16

In the eight years since 1982, public sector investment has varied between two-thirds and one half of total investment in Bolivia. During the years of greatest economic disruption, public sector investment reached 85% of total investment. Even those companies which remained in the private sector often became dependent on subsidies, government contracts, and soft credits. Today, many state-owned enterprises are overstaffed, inefficient, loss-making institutions which represent a substantial drain on the government budget. Perhaps more critical to the growth process, the State lacks the resources to carry out new investment in even the most profitable of these companies. The result is a stagnation of investment which limits the capacity of the economy to grow.

A serious constraint to growth and investment in Bolivia is the hold that the public sector has on many sectors of the economy. In some sectors the government has a legislated monopoly, in others private sector investment is discouraged as private entrepreneurs are reluctant to compete with state enterprises who are heavily subsidized and not required to cover costs nor to show a profit. Private entrepreneurs are also reluctant to invest in companies where the government retains a controlling interest. The solution is becoming clear: in order to increase efficiency and to attract the investment capital and technology that Bolivia requires to reactivate growth, it must allow the private sector to play a greater role in production.

The increase in the role of the state in industry has also diverted managerial and financial resources away from infrastructure and social services. This has contributed to deficiencies in the healthcare, education, and transportation systems in Bolivia.

Due to the long history of state involvement in the productive sectors, a statist philosophy has become ingrained in the Bolivian culture and politics. There is also a lingering mistrust of the private sector, which has its roots in the pre-1952 period.

B. Economic crisis and hyperinflation in the early eighties

In the 1980's Bolivia faced a serious economic crisis. In the 1970's Bolivian growth was mainly financed by external borrowing. During this time Bolivia contracted large amounts of debt. In the early 1980's when access to foreign capital dropped off and interest rates rose, Bolivia found itself unable to service its debts or finance imports. The decline in imports combined with a series of climactic disasters reduced growth. When Bolivia's access to foreign financing was cut off, the government turned to printing money as a way to finance its growing fiscal deficit and the large and growing operating deficits of the state-owned enterprises. It also built up arrears on both its foreign and domestic debt.

During this period the government kept an overvalued exchange rate that, coupled with the decline in tin prices, reduced export revenues. A dual exchange rate regime imposed by the government in 1982 further discriminated against exporters and led to underinvoicing and a consequent decline in government tax revenue. The government deficit widened and inflation spiraled as the government continued to print money to finance its burgeoning deficits.

In order to hedge against inflation, Bolivians began to invest in real estate and precious minerals and to keep their money, investments and contracts in foreign currency. Labor unions were also active in trying to pressure the Government to raise their wages so that they could maintain real incomes. The forced conversion of dollars and dollar-denominated contracts led to a further flight from the peso and the placing of savings abroad.

The government's attempts at stabilization failed due to its inability to maintain tight monetary and fiscal policies. The economy spun out of control. Inflation accelerated into hyperinflation. In the first nine months of 1985, inflation reached 28,000% in annual terms and the Bolivian currency completely lost its value. Faced with an economy in collapse and unable to manage the crisis, the President dissolved his coalition and called for presidential elections to be held a year earlier than scheduled.

C. The New Economic Program (NEP): Successful Stabilization and Structural Adjustment

The Paz Estensorro government that took office in August 1985, faced a severe economic crisis. Prices were increasing at a rate of almost 2% daily, government spending was out of control and being financed almost exclusively by printing more money.

The new government moved quickly to launch a stabilization program. The program, which consisted of cutting government expenditures, freezing public sector wages and investment, raising prices of public sector goods and services and a 93% devaluation and unification of the exchange rate, succeeded in bringing a rapid halt to the 28,000% inflation and a reduction of the budget deficit from 30% in 1984 to 3.8% by 1986.

Additionally, the government carried out a successful structural adjustment of the economy aimed at increasing the role of market forces in the economy. As part of this program, price controls, quotas, export licensing and marketing boards were eliminated, and import tariffs were reduced and simplified. Reform of the financial system, which included an elimination of interest rate controls, a liberalization of labor laws, and a restructuring of COMIBOL, was also conducted.

The results of the Paz Estensorro administration's policies were impressive. A remarkable turnaround of the economy was achieved, and Bolivia was viewed in international circles as the model for structural adjustment. The stabilization of the economy brought about by the Paz Estensorro government has been maintained under Paz Zamora, and there is a political consensus that the hard-won stability must be maintained. The structural adjustment and liberalization of the economy under Paz Estensorro also laid the groundwork for future growth and investment.

D. Stabilization without growth

Economic stabilization has been achieved in Bolivia, but the Government of Bolivia has not been able to reactivate the economy and achieve significant growth. In the period of 1985 to 1987 growth averaged -.02% per year. In 1988 GDP growth reached 1.9% and in 1989 only 2.44%, which meant a drop in per capita income (the population was growing at an average annual rate of 2.8%).

According to the Ministry of Planning, the investment level needed to achieve a growth rate of 4% (which exceeds the population growth rate), is 18% of GNP. Savings declined in the recent past from a rate of 14% of GNP to 2% but have now rebounded to 7%. This level of national savings is very low and is obviously a key determinant of the low growth rate in Bolivia. Even under a regime of state capitalism, Bolivia only achieved a savings rate of 11%, a rate insufficient to generate the levels of growth required.

The government ownership of 157 enterprises is a major stumbling block to growth in Bolivia. Lacking the resources to invest in even the more profitable of its companies, the government itself becomes a major reason for the failure of investment and the low growth in the economy. For example, an official at YPFB advised that this company requires $300 million in new money in the next 3-5 years in order to grow, and $150 million to maintain current levels of production. The Government is also unable to invest the amounts necessary to upgrade key services and infrastructure, such as telecommunications and transportation, which serves as a structural bottleneck to growth.

E. Policies for growth

Rapid growth has been stated as the main economic goal of the Paz Zamora government. The means to growth are seen by those we interviewed as being basically three in number, two of which are being addressed: (1) The diversification of exports resulting from the realization that for many businesses export orientation has become the only option for survival and because of the motivation provided by the convertibility of the currency, and; (2) the expected ability to attract more foreign investment through the enshrinement in law of the mining, hydrocarbons, and investment codes currently before Congress. These pieces of legislation are aimed at providing the positive framework necessary to attract new foreign and domestic private investment and technology improvements in key sectors in Bolivia, their passage sending a positive signal to private investors. As such, these laws are absolutely necessary as underpinnings for a successful privatization program.

The third means to growth, which, to date, has not been adequately addressed by the government, is the reduction of the overly large state sector which is involved in many activities that could be carried out more efficiently by the private sector. The Bolivian Government is currently studying options regarding how best to privatize its enterprises as a pragmatic measure to attract investment that it is unable to finance and to promote greater competitiveness and efficiency of the productive sectors.

F. Profile of the SOE's

Bolivia has 157 state-owned enterprises owned by a variety of government entities: the Central Government, the Regional Development Corporations, Municipalities and Departments. The public sector companies employ approximately 50,000 people, and their combined operating deficit is currently equal to 1.1% of GNP (down from over 5%). This figure is more significant when one takes into account that YPFB, which is very profitable, is the largest source (65%) of public sector revenue. Ten of the companies contribute the lionshare of this deficit. The Central Government has retained so-called strategic industries such as COMIBOL, ENDE, YPFB, and LAB while most of the remaining agribusiness and light manufacturing have been transferred to the Regional Development Corporations.

The Central Government, including the Military, owns 76 companies in a number of sectors including electricity, mining, hydrocarbons, airlines, customs, automobiles, furniture, coffee, agroindustry, and matches. Two of these industries, mining and hydrocarbons, have state ownership inscribed in the Constitution. The companies owned by the Central Government are the largest and are involved in the most critical sector; therefore, they have the greatest impact on the Bolivian economy.

The mayors and the governors own 19 companies. The Mayorships are involved in industries ranging from local telephones, municipal electricity distribution, water, and public transportation to cement tubing. The governorships are primarily involved in the hotel industry.

The Regional Development Corporations own 62 companies in industries ranging from milk processing, glass, refrigeration, ceramics, cloth, tea, corn, rubber laminating and gas distribution, to cement. The impact of the losses generated by these SOE's is primarily at the regional level and therefore a number of the key regions are extremely interested in privatizing these industries. These companies tend to be poorly managed, inefficient, and are often too large for the market they serve.

2

III. PRIVATIZATION STRATEGY

A. Lessons Learned from Efforts in Other Countries

There now exists a more favorable climate for privatization as a result of the abandonment of communism by much of Eastern Europe, and the recognition, even by the Soviet Union, that some of communism's features, particularly state control of all aspects of the economy, are counter-productive. In addition, there is an emerging phenomenon whereby political consensus at the highest levels of opposing party leadership in many countries has been formed in favor of privatization. In some countries, political parties that began the process of privatization have now been replaced, some by parties to their left, and we find that these new governments continue to embrace privatization.

The decline of ideological opposition does not mean, however, that privatization is an easy process to implement. There will still be a number of opponents to privatization who have vested interests.

Privatization can also still expose a government to considerable risk. A government can gain political benefits if a soundly constructed program is carried out well, but it can lose credibility if the program is carried out in such a way that government's competence and/or its regard for fiduciary responsibilities become suspect.

Privatization must therefore be executed in a highly competent manner. Privatization is a labor-intensive, technical process that cannot be rushed without inducing failure. There is no shortcut; a disciplined, step-by-step methodology must be applied.

It is also useful for any government embarking on a privatization program to review the lessons learned from past programs in order to benefit from these experiences and to avoid obvious mistakes. We have summarized below some of the key ingredients that have contributed to the success of programs as well as some of the common pitfalls that should be avoided:

- <u>A policy statement sanctioned at the highest level should be published.</u>

Privatization programs do not achieve satisfactory results unless the Government's commitment is set forth in a formal published policy document.

The policy should set out the objectives of privatization in clear and simple terms. It should avoid to the extent possible definitive prescriptions of methods, procedures and timetables and limitations on the types of enterprises which can be privatized.

The existence of such a policy document indicates that there is top-level support which will provide legitimacy to the privatization effort. It will force consistency on the part of government spokesmen and can also preempt many anti-privatization arguments and bring about better cooperation from civil servants. Retractions and changes in direction are more difficult if the whole cabinet has been involved in the process. Private investments in privatized companies are better protected by the existence of a widely circulated policy statement.

- <u>The policy must be sound.</u>

A published privatization policy which has as its only objective the sale of loss-making enterprises has implications which are not conducive to success even in such limited terms. A policy which is conditioned by many detailed exceptions leads to problems of interpretation and to the blocking of transactions. A policy which is born mainly of the desire to appease international funding agencies is also likely to fail, as true commitment on the part of the government will not be there. The ideal ranking of objectives for privatization is as follows: promoting growth and investment; improving the efficiency of the economy; and developing the capital markets and democratizing capital.

- <u>Quantitative Targets and deadlines should not be set.</u>

Governments should not agree to be bound by quantitative targets, nor should they set such targets or deadlines for the implementing agency. The setting of specific quantitative targets enables the program to be quickly judged as a failure when the targets are not met. Such targets are inevitably not met due to an underestimation of the time required for privatization. Friction then develops between international

23

funding agencies and the Government and between the Government and the implementing agency. This predisposes government ministers to regard privatization less and less favorably, and the staff of the implementing agency will become demoralized. As a result, much time will be wasted in trying to speed up a process which cannot be, by changes in ministerial responsibility, reorganizations of the implementing agency, the preparation of numerous reports to excuse delays, and so on.

- <u>The concept of market valuations must be understood and accepted.</u>

Unless the persons responsible for approving transactions appreciate that there is strong likelihood that investors will often not be prepared to buy assets at book values, replacement values, or any other uneconomic value to buyers whereby they cannot expect to earn sufficient rates of return, the privatization process will be paralyzed. This is so important, in our opinion, that endorsement of the use of economic valuations should be contained in the initial policy statement from the highest level of government and, in the case of Bolivia, in the proposed law on privatization.

- <u>The persons in charge of privatization transactions should have ready access to high-level government officials and political leaders.</u>

In implementing privatization, it is often necessary to make important decisions quickly, especially in the case of a public share offer, but also in the cases of other privatizations so that investor interest does not cool. In addition, there can be obstacles to proceeding which cannot be removed at the bureaucratic level.

- <u>A carefully managed public relations campaign is critical to the success of a privatization program.</u>

An effective public relations strategy is a key ingredient for the success of privatization programs. The program should begin with an announcement of the broad program by the President to demonstrate that there is commitment at the highest level. Government spokesmen should be adequately briefed, believe in the process and carry a consistent message.

- o <u>"Rehabilitation" programs can detract from the process of privatization</u>

Governments should not be tempted, through offers of soft loans from international funding agencies, to embark on programs which are diametrically opposed to the objectives of privatization. There is often ample money available from export promoting agencies of other countries and even some multilateral funding agencies for expansion and so-called "rehabilitation" of state-owned enterprises. In such circumstances it is very difficult to obtain the cooperation of sector ministries in implementing privatization, as the ministries look forward to the administration of large amounts of funds and an expansion of turf and influence. In addition, it has been our experience that many "rehabilitation" programs often mean putting good money after bad with little positive benefit.

- o <u>The implementing agency must be able to focus on work pertaining to approved privatization candidates and not be sidetracked into other areas.</u>

Unsolicited proposals in relation to state-owned enterprises will be received by government, some of which will be bona-fide investment proposals and others which are disguised as such. Unless the privatization implementing agency is specifically staffed to do so, it should not be a function of the implementing agency to evaluate proposals related to SOE's which have not been specifically approved for privatization. However, it would be a valid function of the implementing agency to ensure that such correspondence is acknowledged and to report the degree of interest in SOE's, as this itself can be a criterion for seeking approval for other privatizations.

- o <u>Advertisements to attract applicants should not be published before the implementing agency for privatization has sufficient information about the enterprise in question.</u>

It is a long step from government's approval for an enterprise to be eligible for privatization to the gleaning of sufficient information about the enterprise to be able to enter into meaningful negotiations with applicants. Too often, governments will publish the entire list of eligible enterprises and solicit applications immediately after the policy decision to privatize is made. This places the implementing agency in the impossible position of trying not to discourage potential investors while still having to admit that information about the enterprise is not available. This leads to a perception in private sector and political circles that the implementation of privatization is not being handled competently and leads to a feeling of despair that nothing will actually ever happen.

B. Historical and Current Environment for Privatization in Bolivia

1. Legal Environment

a. Ability to sell government assets

In setting out the legislative powers of the various bodies or offices, the Constitution of Bolivia in Article 59 (7) bestows on Congress the power "To authorize the alienation of national, departmental, municipal, universitary property and any property in the public domain"[2]

This matter is fully discussed in Section IV, in which we recommend that there should be a Congressional Law to authorize privatization. Also in that section we provide our recommendations regarding what should be included in such a law.

b. Long term concessions

Also present in the Constitution (Article 134) is a limitation of forty years on the term for which concessions for public services may be granted.

c. Power to expropriate

Article 22 of the Constitution states "Private property is guaranteed provided that the use made thereof is not prejudicial to the collective interest. Expropriation is effected for reasons of public benefit or when property does not fulfill a social purpose, authorized by law and with just compensation." In Article 24 states that "Foreign enterprises and subjects are subject to Bolivian Laws and in no case may they invoke exceptional position or have recourse to diplomatic claims."

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[2] All references to the Constitution in this section are based on the translation, done by the Organization of American States, of the 1967 Constitution as it appeared in the Official Gazette of Bolivia in 1980.

26

Currently before the legislative chambers is an Investment Bill which addresses the issue of expropriation. In the proposed drafting instructions we have included a provision designed to minimize investor concerns in this area.

d. Limitations on investment activities of foreigners

Article 25 of the Constitution prohibits foreigners from acquiring or possessing under any title, soil or subsoil, directly or indirectly within 50 kilometers of the border unless a special law is passed on the basis of national necessity. The impact on privatization of this is that for certain assets only nationals will be eligible.

e. Limitations on certain elected officials

Article 54 of the Constitution states "No Senator or Deputy may purchase or lease public property in his own name or that of a third person, nor shall he take charge of contracts for public works or the sale of supplies to the State....". The implication for privatization is that since many officials are persons of substance, the difficulty in finding local purchasers is increased. In any event, the implementers of privatization will have to bear this Article in mind when processing applications.

f. Termination benefits for employees

Employees who have more than 5 years' service are entitled by law to one month's pay per year of service for termination under any circumstances, even if they are fired for non-performance or resign voluntarily. The implications for privatization are that there could be negative proceeds in relation to some enterprises, as investors will wish the liability accrued at the date of privatization to be discharged by the seller (government).

g. Establishment of Commission for Evaluation

On January 11, 1990, a Supreme Decree was issued which included sections having a bearing on privatization. The Decree (No.22407) established, in articles 109, 110 and 111, a Commission for Evaluation of Public Enterprises. The Commission consists of 5 permanent directors, all ministers, and one ad-hoc member being the sector minister concerned with a particular government asset being considered by the Commission. The

21

Chairman of the Board of Directors of the Commission is the Minister of Planning and the other members include the Ministers of (i) Industry, Commerce and Tourism (ii) Finance (iii) Labor and Labor Development and (iv) Governmental Matters.

The Commission does not have the power to sell government assets. It is charged to investigate pertinent aspects of the operations of public enterprises and determine their future and identify those which are suitable for privatization. It can seek and negotiate with potential buyers. It will "study" financing sources to support privatizations, but it will not consider the possibility of the state providing finance or guarantees for this purpose.

The existence of the Commission in its present form would not be inconsistent with the terms of the proposed Privatization Law in Section IV nor with the strategy we will propose in this section. We believe the Commission may serve an instrumental role in advising the President on key issues pertaining to privatization and in providing a sounding board prior to the approval by the President of the individual transactions. Given that the Ministers have a portfolio of other important issues to deal with which are subject to change and given that there is a need to keep the process as apolitical as possible, we recommend that the line responsibility for privatization be performed by a privatization commission, comprised of eminent non-government members, which would report to the President.

2. Financial/Fiscal Environment

These issues are addressed in depth in Section V. The financial findings are that sources of local capital to support privatization are extremely scarce in Bolivia because of a lack of resources in long-term financial institutions. A public share offer of an attractive company could serve to mobilize resources if well handled, but at present there are no candidates which are suitable for privatization in this way, although this may not be the case after one or two years.

Some smaller entities could probably be sold to individual purchasers or groups of interested local persons. Employee purchases will probably involve the granting of concessions (deferred payments or guarantees) which may not be in keeping with government's express exclusion of such facilities to be granted by the state in Supreme Decree No. 22407 referred to above.

3. Regulatory environment

In order to privatize utilities, the regulatory framework and rate-making process needs to be modernized. Investors are no longer willing to tolerate lengthy rate applications and complex formulae.

Although private monopolies are prohibited under the Constitution, (indeed the Bolivian Power Company, which is the sole supplier of electricity for La Paz, does not have an exclusive license), it is likely that de facto private monopolies will exist. Therefore, government regulation concerning rate-making and quality standards will be required.

4. Institutional environment

The Commission for Evaluation of Public Enterprises, mentioned in section III.B.1.g. above, was not given the power to sell assets and currently lacks an operational arm. The proposed privatization law, discussed in detail in Section IV of this paper, must provide the legal basis for an institutional vehicle for the implementation of privatizations. This implementing agency must also be provided with the resources required to perform this task as more fully discussed in III.D. below. The question as to what the most appropriate implementing agency would be is also discussed in that section.

5. Attitudinal environment

There seems to be a growing consensus building among key political leaders regarding the need to move forward with privatization. Politicians continue to express concerns, however, regarding the possibility of lost jobs as a short-term consequence of privatization and are unsure how precisely to implement the process.

The very word "privatization", because of its connotation with the discredited private sector and the fear it represents of significant job loss, is not popular; however, during our visit we noted from press reports that government spokesmen are now using the word in announcements and speeches. Bolivians are also beginning to openly debate the merits of privatization, which was not the case a year ago. However, a reluctance to use the word still exists in important circles.

On the aggregate level, the public seems to be unaware of the benefits of privatization and the privatization experiences in other countries and are therefore suspect of privatization.

We present our recommendations for a comprehensive public relations strategy aimed at galvanizing public and political support in section III.J.

C. Objectives of Bolivian Privatization

In formulating the objectives that seem appropriate for the Bolivian privatization program, it is necessary to take into account recent events and the current situation concerning the economy and public perceptions. Privatization can clearly have a number of important benefits, such as decreasing the public sector deficit, improving public sector performance, and allowing the public sector to focus its attention on addressing the social agenda. The objectives that should be published should be the ones most important to the particular country and most relevant to the general public. In this regard, we recommend the following objectives, listed in order of importance, for the privatization program in Bolivia:

1) To Promote Economic Growth and Employment Without Sacrificing Hard-Earned Economic Stability

2) To Improve the Efficiency and Competitiveness of the Economy

3) To Develop the Capital Market and to Democratize Ownership

These three fundamental objectives are discussed below.

1. Promote economic growth while maintaining stability

The promotion of economic growth in output and jobs is the most important objective of a privatization program. The achievement of economic stability has provided a framework whereby the private sector can plan with confidence. Nevertheless, growth over the last few years has barely matched the increase in the population. Achieving rapid growth in the economy without jeopardizing stability is therefore a major policy objective of the Government.

The key to generating more economic growth in Bolivia is to increase investment in key economic sectors and in infrastructure. The Government does not currently have the resources to meet the investment needs of its important enterprises (eg.YPFB). It also lacks the capital for expansion of infrastructure such as telecommunications and rail transport, and this constrains economic expansion and the attraction of investment. In the absence of available financial resources, public sector provision of capital would only be possible by an increase in the fiscal deficit or by a new cycle of foreign borrowing which the country has fought so hard to reduce.

Since the public sector is unable to finance national investment while maintaining stability, growth can only be achieved by an increase in private and foreign investment. Private investment is currently not permitted in many of these state-owned enterprises and private investors would be reluctant to invest in many of them even with the removal of restrictions if the ownership continued to be controlled by the state. Therefore, privatization is a key component of a program to attract new investment.

In conclusion, promoting growth is the most important objective for privatization in Bolivia. An essential element of this objective is that growth be achieved while maintaining stability. This can only be accomplished by an increase in private investment.

2. <u>Improving the efficiency and competitiveness of the economy</u>

There are ample studies available to provide evidence that competition and the market are sterner taskmasters than a bureaucracy. Many state-owned enterprises are poorly managed, overstaffed, inefficient businesses. Many of these institutions do not pay taxes and receive a number of hidden subsidies which must be paid for by consumers and the private sector; this in turn has an adverse effect on the competitiveness of local enterprises, ultimately manifesting itself in the balance of payments results. Moving these industries into the private sector, discontinuing the subsidies, and opening up competition will improve efficiency as well as enhance government revenues.

The Constitution prohibits private monopolies, and the privatization of a government monopoly will automatically open up the industry concerned to competition. Even if competitors do not come forward immediately, the government has powers of regulation to deal with such a situation until adequate competition develops. In any event, the existence of a temporary private monopoly is surely better than the existence of a permanent public monopoly.

31

3. To Develop the Capital Market and Democratize Ownership

Privatization can have the important benefits of developing the capital markets and democratizing capital via public share offers. So far there are no equities or debt instruments listed on the recently established Bolsa in La Paz. The only securities that are currently traded are Certificates of Deposit. There appears to be no enthusiasm on the part of the private sector at present to list equities as they see no advantage in doing so.

Some countries gave tax concessions to induce listings and some withheld licenses in the banking and utilities industries unless a certain proportion of the shares were made available to the public and the securities were listed. The tax concessions given are usually in terms of the rates of annual corporate taxes and taxes on dividends.

There being no experience concerning the appetite for equities by individuals and financial institutions in Bolivia, private sector companies do not want to risk being pioneers in this respect and experiencing what would be construed as rejection, after the expense of a public offer. They are also reluctant to place on public record of information that which is now private.

At the same time it would be desirable for "ordinary people" to have a tangible stake in the stability of the country. The acquisition of real estate requires a relatively large outlay, and widespread property ownership would be difficult to achieve. Shares in companies would provide such people with the means to become part of the formal economy, encourage long-term savings and promote self-reliance.

It seems inevitable that government will have to start this process by having a public offer of shares in a suitable company. If properly handled, there should be a demonstration effect to the private sector that significant equity capital can be raised by this means.

D. Scope for Privatization

Virtually any state-owned enterprise could be eligible for privatization. An early proposal circulating within the GOB would restrict privatization to only the regional government assets. In such a limited privatization the assets retained, such as the international telephone system, power generation, and rail transportation, would continue to be starved for capital and not provide the infrastructure required for economic expansion. Moreover, there would be no capital to support the expansion of the mining and hydrocarbons industries which are the key to the overall expansion of the economy, given the potential of those sectors and their relative state of underdevelopment.

The only inviolate restriction imposed by the Constitution is with respect to the power to sell state assets (where even Congress does not seem to have the power to override), is in the case of the "nationalized mining groups" and "deposits of hydrocarbons". The nationalized mining groups may not be "transferred or awarded to private enterprise under any title of ownership." In the case of hydrocarbons, "No concession or contract may confer ownership of deposits of hydrocarbons." These are not fatal restrictions, since the extraction of the resources can be a private sector activity, under various forms of privatization (e.g., joint venture, leasing and management contracts.)

Thus, we recommend that the scope of the privatization program be made as wide as permitted by the Constitution, which is everything except ownership of nationalized mining groups and deposits of hydrocarbons.

E. Selection of Companies for Privatization

In determining whether an enterprise should or should not be privatized, a systematic and objective approach should be adopted which has a sharp focus. The following decision tree approach, which has been adapted from that contained in the publication "Privatization and Development" by the International Center for Economic Growth dated 1987, is one which has been used successfully in a number of developing countries:

Privatization Strategy: Decision Tree for the Selection of Enterprises

```
1.    Are there compelling
      reasons for retaining   ------- YES (retain)
      the activity as a
      Government function?                  /|\
              |                              |
             NO                             NO
              |                              |

2.    Can Government provide          Could service be produced
      sufficient capital for          and delivered by a private
      the provision of the ---YES---  sector group in a more
      service at the level            efficient, cost-effective
      demanded without risk           manner?
      of economic instability?                |
              |                              \|/
              |                               |
             NO                              YES
              |               /               |
              ----------------------------------
              |               \

3.    Would privatization lead
      to unacceptable disruption
      in an essential public ------- YES (retain)
      service activity?                       |
              |                              /|\
              |                               |
             NO                              NO
              |                               |

4.    Are commercial services           Is effective regulation
      available and is private -----NO-- of a de facto monopoly
      sector competition likely?        possible?
              |                               |
             YES                             YES
              |              /                |
              ---------------------------------|
              |              \
              |
          ELIGIBLE
```


34

F. Mechanisms for Privatization

The basic methods are outright sales of assets or shares, leasing, or utilizing contract management. In some cases, enterprises can be abandoned.

In practice, the list of conventional mechanisms listed below are in substance one of the methods above.

Cash Sale
- Of Shares of a Company
- Of Assets of an enterprise

Leveraged Sale/Buyout

Debt Equity Swaps

Employee Stock Option Plans or Employee Stock Investment Plans

"Mezzanine"/Profit Participation

Operating Leases

Financing Leases

Management Contracts

Hybrid Mechanisms

The application of these methods is discussed in Section V of this paper.

The method which should be used to effect a privatization transaction should be the one which in the circumstances best transfers economic risk from the Government to the private sector and which maximizes the proceeds to Government. It is not always possible to pre-select the method, although the ideal should have been selected as a target method. The nature of the applications received for the enterprise may be such that a compromise may be necessary if the government does not want to temporarily withdraw the enterprise from the priority list.

It is our experience that even if Government announces a preferred structure, applications will still come in proposing different structures. The implementers of privatization should therefore be prepared to be flexible in this regard.

Economic transactions can be boiled down to a present value figure of the net cash flows to the enterprise using a consistent discount rate set at a realistic level. Thus, applications proposing different structures depending on the preferences of the applicant, or their own peculiar circumstances, can be compared on a quantitative basis using this technique.

The qualitative aspects will also have to be considered. These will include the quality of the applicant in terms of ability to complete the transaction, management capability, the provision of desirable linkages for Bolivia and, unavoidably, the political ramifications.

Below, we have described illustrative examples of the possible applicability of various techniques (subject to detailed studies of the enterprises and the sources of investor interest.) These examples illustrate that there cannot be any hard and fast rules concerning the privatization mechanisms used.

1. Telecommunications

At present, the government monopoly ENTEL provides international and domestic long-distance services; the domestic network is provided by a number of cooperatives in the regions and cities. The standard of service for both domestic and international service is less than desirable.

If the government were interested in privatizing ENTEL in order to attract further investment and technology, one scenario might be for the government to sell a significant minority holding of ENTEL to a foreign operator who could bring capital, expertise and linkages to Bolivia, while at the same time eliminating ENTEL's exclusive franchise. A regulatory framework would be required in the absence of a truly competitive environment. Depending upon the financial state of the company it may be possible shortly thereafter to have a broad public share offer to encourage broad Bolivian participation in this company.

2. Transport

Lloyd Aereo Boliviano (LAB) is at a crossroads. According to the recent audited accounts it generated profits of only one million dollars in 1989. A number of its airplanes are aging and it will require a significant amount of investment to purchase new equipment, to overhaul planes (e.g. to meet U.S. noise level standards), and to expand services to meet increases in demand and to take advantage of profitable overseas routes.

Attempts should be made to attract a significant equity injection from an investor who can also provide operating, maintenance and training expertise for the airline. After the capital injection and some indications of improved financial performance, it shculd be possible for a public share offer to be made.

ENFE, the rail monopoly, could be handled in a similar fashion to LAB with the additional feature that its monopoly should be discontinued and competition encouraged in rail and rail transport.

3. Hotels

It is unlikely that international hotel chains will purchase hotel properties currently in the hands of the government since they consider their business to be operators. However, it is possible that local interests may be willing to buy the real estate.

If outright buyers cannot be found, the government might wish to enter into management contracts with operators; however, this arrangement typically does not transfer risk, as the manager will obtain a fee and the owner will only get a return if there are profits after the fee. A method which does transfer risk would be a long-term lease (say 15 years) whereby government gets rentals regardless of whether or not the operation is profitable, and the operator gets a return if there is a profit.

4. Manufacturing

The Government owns a ceramics factory, a match making factory, furniture manufacturing facilities, and a paper products factory, among others. In general, investors interested in these companies will probably wish to buy the productive assets free and clear of all liabilities.

Depending on the quality of the financial statements and the adequacy of the capital structure of the enterprise, it may also be possible (though unlikely) that the shares, as opposed to the assets, of the enterprise can be sold. Investors who buy shares take the risk of being responsible for unrecorded liabilities and lawsuits with respect to events occurring prior to privatization. Effective protection against such matters is difficult to negotiate and recovery from the seller is problematic. Therefore, to the extent that there are investors interested in these companies, they will most likely be interested in purchasing the productive assets cleared of all liabilities.

5. Agriculture

Agricultural cultivation operations cannot support high interest financing, and many of the applicants may not have significant equity. One option might be for the government to lease the properties on a long-term (say 49 years) lease at low rental fixed as a percentage of the value of the property with the ability to increase rents if value increases at five-year intervals. The structure of the lease can be such that the lease itself constitutes security as far as financiers are concerned.

Nevertheless, leasing is not a genuine transfer of risk as the assets may revert back to the government at any time. This arrangement, however, may best achieve a combined goal: transfer of risk and maximization of proceeds to the government

-20

G. Institutional Framework

1. Introduction

When government has made the decision that an enterprise could be privatized, the next step will be to implement the privatization. As mentioned at the outset of this section, implementation is a process which must be carefully executed and is necessarily a longer process than most will expect.

To live up to its responsibilities and promote public confidence in the privatization program, government must establish a formalized process to provide comfort as to the legitimacy of individual transactions.

2. The role of the public and private sector

Clearly the public sector must be in control of the privatization process: after all it is the owner of what is being privatized and it has fiduciary responsibilities. In addition, various arms of government should, as a matter of good practice, be involved in the approval process and given an opportunity to comment on the impact of the proposed transaction on, for example, monetary policy, public health and the environment. It is also likely that, the higher the level of approval obtained, the more comfort there will be to investors and their financiers; this would also be true if the process leading up to the contract were demonstrably conducted in accordance with a set of procedures which has been sanctioned at the highest level.

At the same time, it has been our experience that the public sector has not been able to act with the speed and flexibility needed to properly implement privatization.

Therefore, it is desirable for there to be an implementing mechanism which has public sector oversight but which has available to it, on a permanent basis, private sector energy, experience and talent. The Privatization Commission and the technical unit we propose possess these qualities.

3. Whether to centralize or to decentralize

An issue which needs to be addressed is to what extent Central Government should delegate implementation of privatization to subsidiary government bodies (e.g., regional corporations, mayoralties and governors.) Some regional corporations, particularly CORDECRUZ (that of Santa Cruz), have demonstrated high enthusiasm for privatization, and it is expected that there will be heavy regional participation in the decision process.

On one extreme, the Central Government could give blanket authorization for the regional corporations to proceed with privatization immediately and to execute the contracts. On the other, Central Government could require that a central implementing agency must execute all the steps leading to privatization with only the executive being authorized to approve the final terms of the transaction.

Regardless of the extent to which power may be delegated with respect for implementation, it must be taken into account that the Central Government administration will be held accountable by the public if the process is not is free from impropriety and is not carried out in a competent manner, whether the enterprises are small or large, regional or national.

The more decentralized the process, and the more that is delegated to regions and other governmental authorities, the greater the risk taken that the competence and integrity that is brought to bear in the process will be less than satisfactory. On the other hand, greater delegation would in all likelihood bring about a faster pace of privatization.

On balance, we view the risks of losing public confidence in the privatization program as a whole, as the greater threat than a somewhat slower pace for privatization. We therefore propose the centralization of the process for the implementation of privatization in a Privatization Commission reporting to the President of the Republic who must give final approval to each transaction.

We do not recommend that the Privatization Commission be the only important player in the process. The Regional Corporations (mayoralties, governors, etc.) can recommend enterprises to be privatized, and can assist the Commission's Technical Assistance Teams in the preparation of the business analysis which will be sent forward for review by the full Privatization Commission.

4. The Privatization Commission

We recommend that the Government of Bolivia establish a Privatization Commission to serve as the principal agency for the implementation of the privatization program. Figure 1 illustrates the structure of the proposed organization. The Commission would be headed by a Chairman, and be composed of prominent Bolivian citizens respected for their integrity and knowledge of the private sector. The Commission should be assisted by a technical staff which would report to the Chairman, and whose principal task would be to perform the business analysis and evaluation of enterprises to be privatized and make recommendations to the Commission, which in turn would advise the President.

a. Objectives

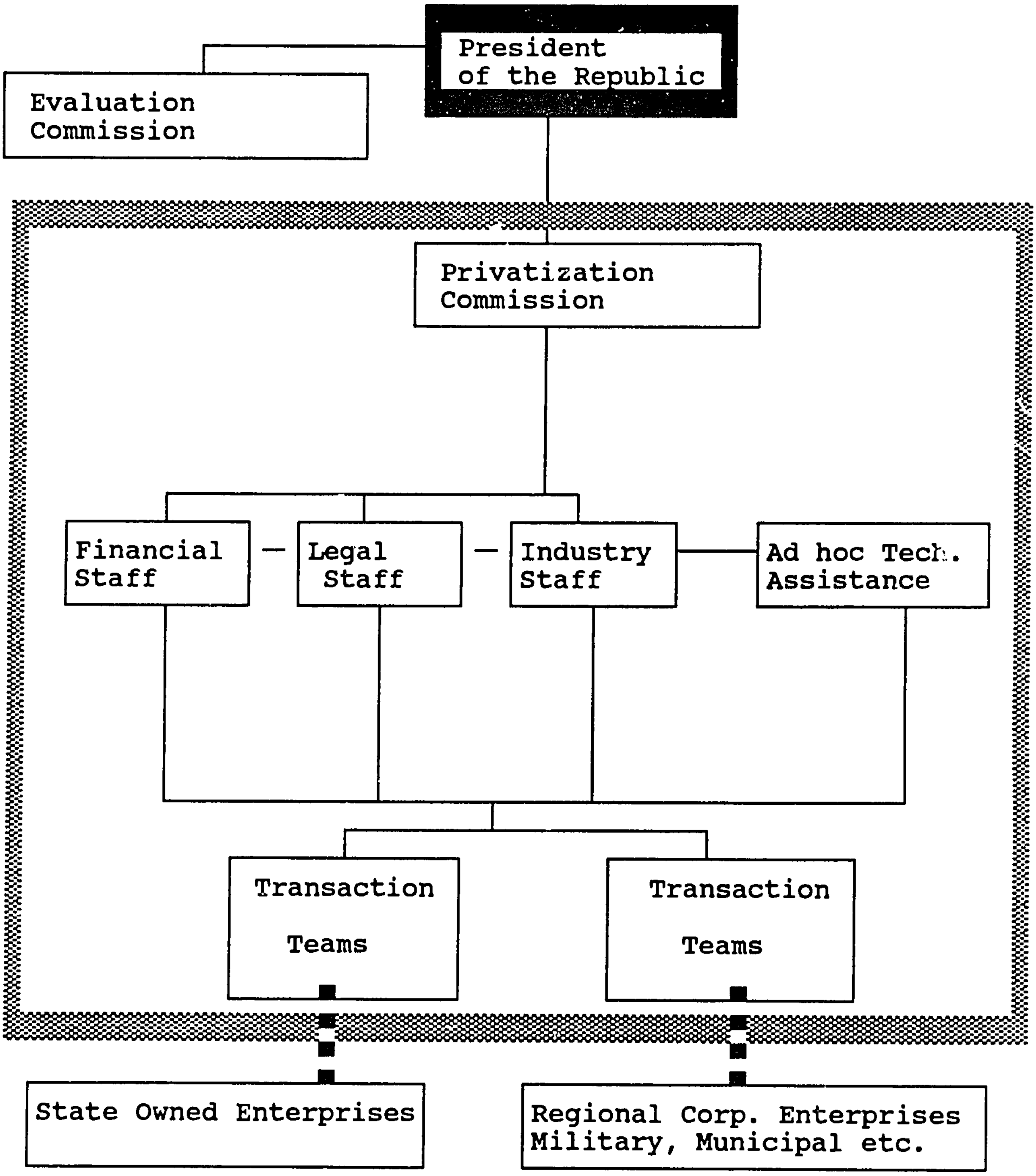
The operational objectives of an institutional framework to implement privatization should be to provide assurance that the methods to be used to effect privatizations will be those which in the circumstances can provide the best optimal mix of:

- (i) transferring economic risk from the Government to the private sector
- (ii) maximizing the proceeds to Government
- (iii) providing adequate safeguards to promote integrity
- (iv) effecting the privatization in an efficient and competent manner

b. The Chairman and his role

We believe it is imperative that a prominent Bolivian with an unquestioned reputation for integrity and knowledge of industry and the private sector be appointed by the President to the position as the Chairman of the Privatization Commission. In his capacity as Chairman, he should preside over the meetings of the Commission, and manage the activities of the Technical Staff.

41


President
of the Republic
Evaluation
Commission
Privatization
Commission
Financial
Staff
Legal
Staff
Industry
Staff
Ad hoc Tech.
Assistance
Transaction
Teams
Transaction
Teams
State Owned Enterprises
Regional Corp. Enterprises
Military, Municipal etc.

The attributes ideally needed by the Chairman of the Commission are high technical competence and high status in the society, and the trust of politicians, top civil servants and the private sector. This person must have access to leaders at very short notice, possess a great deal of energy and be prepared to work full-time on the project.

In our opinion it would be unwise to allow the Chairman alone to make final recommendations on a specific transaction to the President of the Republic. Concentrating decisionmaking in one individual may result in the following:

(i) A concentration of too much power in the hands of one individual and tremendous pressure from a variety of interest groups.

(ii) Although his recommendations would be supported by the work of an independent technical team, one individual's recommendations will not have the same credibility as would recommendations made by a distinguished group. For this reason and that of (i) above, there would be inevitable suspicion on the part of Cabinet ministers that the recommendations may not be fully impartial.

For these reasons, we believe that the Chairman should solicit the consensus and support of the full Commission on each proposed transaction, and that the full Commission submit its recommendation to the President of the Republic.

We recommend that the Commission and its Chairman have a direct line to the President of the Republic, and the ability to keep itself independent from day to day political interference.

c. <u>The Technical Staff</u>

A process should be established whereby an independent technical team of recognized competence and with commercial experience is engaged to perform the tasks set out in Appendix A with respect to each transaction.

The Chairman and the Technical Staff should have available for consultation an external Privatization Adviser who would be in Bolivia as needed but probably on an average 15% to 25% of the time, and on call for telephone consultation at all times. As the Commission gains actual experience in finalizing transactions, the role of the external Adviser will be reduced. Ideally the Adviser should have had overall responsibility for implementing, and have successfully implemented, privatizations of a variety of types.

The technical staff should be divided into transaction teams for handling the privatization of individual assets or groups of similar assets, each with a leader. When required, the unit should retain ad-hoc consultants who are industry specialists, public relations experts, persons or organizations such as investment banks who are capable of locating investors and persons experienced in particular types of transactions, (e.g., populist public share offers.)

The core technical staff should consist of at least one experienced commercial lawyer, a number of qualified accountants or financial analysts, persons capable of gathering data about enterprises, as well as a secretarial staff. It should be noted that the technical unit will also be able to access the data being collected on SOE's by the "Reordering State Enterprises" project currently being funded by the Inter-American Development Bank and the United Nations Development Program. Under this project, a team consisting of 2 external consultants and 8 local consultants, supplemented by sectoral specialists, has begun detailed studies of some larger SOE's and expects to have completed 7 studies by mid-1992.

d. Procedures

The detailed procedures recommended to be followed by the Technical Staff are listed in Appendices A, B, and C. In addition, Figure 2 illustrates the steps to be taken by the Commission in the case of a privatization of a large SOE involving international investors.

e. Alternative Structure.

We considered a structure whereby a privatization implementation unit would actually take ownership of the enterprises prior to privatization, which could oversee a process of restructuring or commercialization of the enterprises. This kind of institution was used in the Costa Rican privatizations. In the Bolivian context, we believe that the use of this kind of institution may result in the holding of the assets of SOE's for lengthy periods of time, thus converting itself into a mini-CBF (Bolivian Development Corporation). On balance the commission approach seems more direct and purposeful and more likely to achieve quicker results in Bolivia.

H. Public Relations Strategy

As we have pointed out in the section describing lessons learned from privatization programs in other countries, a carefully managed public relations campaign is critical to the success of a privatization program. From our reading of the press, we are concerned that too many statements attributable to government are being made which are uncoordinated and not within any perceivable framework. These statements mention numbers of enterprises, amounts of money to be raised and dates by which certain things will happen.

1. Concerns to be addressed by the public relations strategy

The lingering reservations that politicians have about privatization are that:

- They do not know precisely how to approach the process
- The consequences of massive lay-offs
- They are fearful of implying that privatization is an ideological tenet, therefore there is a tendency to portray the process as a "necessary evil."

From our discussions with politicians, the following appear to be their perceptions of the main public concerns in Bolivia related to privatization:

- Redeployment of excess workers (but it must be remembered that only a minority will be affected)
- Selling the patrimony (forbidden by law; the draft law takes this into account)
- Substitution of private monopolies for public ones (but, again under the Constitution, this cannot be the case)
- The private sector consists of those who are only interested in themselves and not the country at large (this perception may be based on a situation which prevailed 40 years ago; the increase in non-traditional exports in the recent past is testimony to renewed commitment of the private sector)

- o Privatization is associated with the worst aspects of the Pinochet regime in Chile (this, it can be said, is because the program initiated then is totally different in nature from the one which Bolivia will introduce and is indeed different from the one subsequently introduced in Chile).

2. Launching the privatization program

The government should take the initiative and set the agenda for discussion of privatization. The first step should be an announcement by the President on an important and widely covered public occasion, that government is officially adopting privatization as an important part of its economic strategy. He should explain the reasons why this decision has been made and define the objectives (perhaps with reference to the list of objectives and arguments for privatization found in section III.C). He should explain that a Bill will be put to Congress to facilitate the process and explain the provisions of the Bill. An outline of how the program will be administered should also be given. An air of confidence, commitment and competence must be conveyed, and it can be stated that the program as described will constitute a model program in the opinion of international experts.

The President should confine his remarks at this juncture to outlining the broad scope of the privatization program. We strongly advise that no specific privatization candidates be announced. No timetables should be mentioned, nor should the expected amounts of money to be raised or the anticipated use which of the proceeds be put forward.

Until the President makes this speech the Government should observe a moratorium on any statements by government spokesman on the subject.

3. Internal government briefings

All government spokesmen should be briefed privately on the issues and equipped to handle fears concerning privatization. One must be careful not to overemphasize the concern for worker retrenchment as a public issue, as only a small proportion of the population will be directly affected and this will happen over an extended period of time. The new investment generated by the privatizations will serve to absorb many of the workers who might lose their jobs.

A sampling of some concerns about specific privatization transactions that are traditionally expressed and the classic counter arguments are as follows:

ARGUMENT: "If we sell and use the proceeds to reduce the deficit, this will be like consuming capital"

RESPONSE: Borrowing to finance the budget is like consuming capital. Proceeds from privatization can be used to reduce borrowing.

ARGUMENT: "In this situation we lose control of a strategic asset"

RESPONSE: A government with powers of regulation does not lose control.

ARGUMENT: "But this is a natural monopoly"

RESPONSE: The consumer does not need less protection from a government monopoly than from a private one, and modern forms of regulation can and do preserve the public interest.

4. Public opinion and the media

Immediately following the President's announcement, a high-quality opinion poll should be taken. The poll would ideally be nation-wide with sufficient sample sizes to be able to determine credible regional results. If the results are positive, they should be published as this will assist in getting the Bill through Congress and help the program gain momentum. If negative, the results must be analyzed to see whether positions appear to have hardened in this respect or whether there is a favorable trend and used to determine the nature of additional public relations.

A massive media propaganda blitz would not be advisable at this early stage; however, adequately briefed government spokesmen should be readily available for radio talk shows and television interviews and panel discussions. Again an air of confidence must prevail to show that it is firmly believed that what is being done is correct. Further polls should be taken to determine the trend in public opinion.

Use of the media constitutes an important part of the public relations effort. The most effective medium in Bolivia is radio, followed by television then the press. The government information agency is apparently not regarded with much credibility by the public, does not have a good working relationship with the media and does not have adequate facilities. There are a number of adequate advertising agencies but apparently no professional public relations firms, although a large Argentine firm is about to appoint local representatives in Bolivia. There are pollsters and market researchers. It does not appear that there are printers presently capable of producing large volumes of high-quality work, but they are willing to gear up for the large volume of printing which would need to be done in a very short period in the case of a prospectus for a widespread public share offer.

It would be helpful to use the media to carry stories about privatization in other countries (eg. Argentina's telecoms, its announcement of the sale of 8 petrochemical companies, and Aerolineas Argentinas; Mexico's decision to return nationalized banks to the private sector, and its otherwise wide-ranging program.) In this way, Bolivians would be able to put their privatizations in an international context.

Influential columnists and commentators should also be briefed thoroughly on the subject and allowed extensive question and answer sessions.

Throughout the public relations campaign, expectations should not be raised. No promises should be made of imminent ownership of enterprises by employees or democratization of capital through Bolsa share offers. It should be stressed that privatization cannot be a rushed process and that under no circumstances will the integrity of the program be compromised by haste or political expediency.

We understand that privatization seminars are scheduled for Santa Cruz in October 1990 and in La Paz in November 1990. These will reinforce the public relations effort.

The above would constitute the generic public relations. Specific public relations would only normally be done with respect to an entity which was to be privatized by means of a public share offer. This is covered in Appendix B.

At the conclusion of every privatization transaction, it would be desirable to inform the public of the results.

I. Political Consensus Building Strategy

Opposition elected representatives and senators, as well as government party backbenchers should be given an opportunity to air their concerns about privatization and the content of the Bill in private with privatization experts before they do so on the floor. This will serve to educate politicians and to reassure them of the soundness of the approach being proposed.

J. Labor Strategy

The labor question is at the forefront of the minds of politicians and the general public. This is understandable as unemployment in Bolivia is very high. The specter of the massive layoffs that took place under the COMIBOL restructuring is also still strongly influencing public perceptions.

The threats of massive lay-offs taking place as a result of privatizations that may take place under the proposed privatization program seem to be exaggerated. Total employment in public enterprises is approximately 50,000. Six major companies account for over half of this number:

ENTEL	1670
YPFB	5517
COMIBOL	7000
ENFE	7100
ENDE	447
LAB	1503
	23,237

Of the SOE's on this list, the staff of COMIBOL has already been reduced considerably over the past four years. Moreover, the growth of private sector mining if fully promoted would most likely be able to absorb a substantial number of these displaced workers. The expansion of YPFB and ENTEL as a result of new private investment also has the potential to absorb many temporarily displaced workers.

The remaining balance of employment of the SOE's is distributed among 151 companies, many of which have between 6-200 employees. It is not expected that the impact of privatization on these companies would generate significant labor redundancies which could not be managed with the program tools suggested in this report.

Moreover, a sensible pace for privatization will involve at most only a few large companies per year, thus limiting the labor impact at any given time to a manageable level. The privatization of the larger state-owned companies is highly complex and will take place at best only over a period of several years. These factors will work to spread the labor displacement effect over an extended period thereby lessening its visibility and impact.

If privatizations are accomplished in the context of substantial new private investment, privatized companies will expand and this growth will generate new jobs. Given the growth potential of the oil, mining, and telecommunications sectors alone, the growth of jobs that could be generated by the new private investment would most likely absorb workers that may be displaced in less profitable sectors.

To bridge the gap between the time various privatizations begin and the time when the new job generation occurs, and to ease the minds of the politicians and the general public, we advise setting up a program for displaced workers. Possible features of such a program might be:

- <u>Continue to give displaced workers a salary for up to two years</u>

Payments of these benefits could be disbursed via a fund set up for this purpose. We suggest that the workers not be given benefits as a lump sum. This will ease the financing burden and avoid the situation that occurred with the COMIBOL workers who used up their benefits too quickly. In order to make the strategy concrete and to determine the actual benefits and financing schemes, a thorough assessment of the indemnity payment liability must be carried out in each case.

- <u>Retrain workers and/or direct them to other A.I.D. programs aimed at assisting small businessmen and small entrepreneurs</u>

If there is an existing government program (such as the Corporación Boliviano de Fomento) to retrain displaced workers that is considered to be effective, we suggest that workers be directed to utilize this program. This program may, however, need to be upgraded or given additional resources to meet the specific needs of the newly displaced workers. If no such program exists the government may wish to establish a new program in an agency with a strong reputation for efficiency. We suggest that this program be global in nature and not exclusively for the workers displaced during the privatization process, as it is a necessary public sector function. Labeling it a privatization program would also contribute to the perception that privatization was the cause for the loss of jobs, which is not the case.

Workers interested in acquiring or starting new businesses should also be directed to existing A.I.D. programs aimed at assisting small businessmen and micro-entrepreneurs.

- <u>Focus special programs of public works construction in communities which may be impacted by a proposed privatization.</u>

During the period of the NEP these programs were implemented successfully by the Fondo de Emergencia Social, and were important to the entire process of economic adjustment.

61

IV. LEGAL FRAMEWORK FOR PRIVATIZATION

Based on our analysis of the current political and legal environment in Bolivia, we have concluded that a Congressional Law is required to provide the proper legal framework for a successful privatization program. In this section, we discuss the rationale behind this conclusion, provide our comments on a draft law under consideration by the Commission for the Evaluation of Public Enterprises, and provide drafting instructions for a law we feel would best underpin a privatization program in Bolivia.

A. Our Approach

Our approach to this subject is to first determine the nature of any legal obstacles to privatization in general and, if there are any, whether the solution can be simpler than the passage of legislation. If there are no legal obstacles, we will then consider whether there would be a need for legislative action on the basis of other factors.

If there were no legal impediments to privatization, there would generally be no need for a specific law to authorize privatizations. However, in some circumstances even if there are no legal obstructions, the current government may deem it wise to legislate aspects of privatization for political purposes or to demonstrate its purposefulness to a variety of audiences.

B. Background

We reviewed a paper entitled Legal Elements of the Privatization Process by Mr. William M. Berenson, dated March 16, 1987. This paper was a component of a comprehensive study carried out by the International Science and Technology Institute for USAID, on the feasibility of privatization in Bolivia. The paper indicates that:

- The Constitutional restrictions on the alienation of state property seem only to apply to public enterprises, ie. corporations or entities which are wholly-owned by government. On a strict interpretation of the Bolivian Constitution, an Act of Congress would be required to authorize alienation of such property.

- On a broader interpretation of the Constitution, legislative power is not exclusively held by the Congress but may also be exercised by the Presidency.

52

- In practice, it appears that a Supreme Decree, ie. a Decree by the President, has sufficed. Legal Decrees (Decreto Leyes) have also been used by the military during periods when the Constitution has been suspended. The likelihood of a challenge being raised or sustained was considered remote.

- The Constitutional restriction on the alienation of state property does not apparently apply to the disposal of shares held by government in a mixed public/private corporation, but there must be a Supreme Decree to authorize the transfer of government owned shares in such an entity.

The paper states that a Law from the Congress is the safest way to ensure that no constitutional attack will prevail. Bearing in mind the time factor, the paper suggests that the next safest alternative would be for the President to issue a Supreme Decree providing the necessary authorizations and send the Decree to Congress for review. If within a reasonable time there were no unfavorable reaction, it would be presumed Congress had given its tacit approval. A bolder approach, the paper states, would be for the issuance of a Supreme Decree without giving Congress the review opportunity, on the basis that Legislative power is vested also in the Presidency, considering in particular that the Constitution confers on the president the authority to establish economic policy.

The final recommendation in this regard in the paper is that a Supreme Decree should be issued to authorize privatization, (but it is not clear whether the Congressional review feature is recommended).

C. <u>The Need for a Privatization Law</u>

On the basis of the above, it is clear that there is a need for some legislative instrument before privatization can proceed, whether by means of a Supreme Decree or by means of a Congressional Law. The question to be resolved is which of these routes should be adopted.

If, in accordance with the recommendations of the earlier study described in IV. B. above, a Supreme Decree were to be sent to Congress for review, there might be the beneficial effect of a speedier process than if there were an attempt to enact a Congressional Law. In addition, since this procedure would allow Congress as a whole the ability to let the Decree come into force by tacit approval rather than by direct action. Members of Congress could be spared the political complications that may result.

57

One risk of using the Congressional review route is that if Congress merely comments unfavorably on some aspect of the Decree, its legitimacy would be in question if not amended; if the Decree were amended, a new round of the same procedure might then start and be repeated several times. In the end, this could be as lengthy a process as obtaining a Law from Congress.

In the present climate, in which privatization is a matter which is reported or commented on frequently in the media and the subject of statements by party spokesmen, it seems unlikely that members of Congress would be fulfilling public expectations if they simply declined to comment on a Supreme Decree which had been submitted to Congress for that express purpose. Thus, in the present climate, we feel that members of Congress will not only wish to comment but will demand to be involved in the process.

Three years after the Berenson paper, the Supreme-Decree/Congressional-opportunity-for-comment method would not in the circumstances seem to provide any relevant advantages over an attempt to obtain a Congressional Law.

Concerning any use of a Supreme Decree, with or without the feature of Congressional review, it must be borne in mind that, although Supreme Decrees have been allowed to stand in circumstances where the Constitution seems to require an Act of Congress, this may not necessarily mean that in relation to a future divestment of government property such a Decree would suffice.

From our reading of the Constitution we note that Article 30 states: "The public powers may not delegate the powers conferred on them by this Constitution or grant to the Executive Power any others than are expressly authorized herein." This would appear to clearly preclude the Presidency from having the ability to authorize alienation as there is no express authority for him to do so.

Moreover, an important Supreme Decree was recently challenged on constitutional grounds. We were informed by the President of the Bolivian Power Company that the Supreme Decree which was issued in 1968 for the Electricity Code and which is fundamental to the operations of that company is now being challenged. It is being claimed that the authority from the Executive under which the company operates should have been conferred by a Congressional Law. The effect of this has been to suspend the process of the granting of a new operating license to the company until the Supreme Court either makes a preliminary finding on the merit of the challenge or declines to comment. If there is no comment the licensing process will continue.

Management of this company feels that there will be no significant security in obtaining a new license unless an Electricity Code is passed by Congress to replace the 1968 Supreme Decree, as in the absence of this measure the constitutional challenge will continue to be a threat. This company, which has operated in Bolivia for decades, has five diversification investment projects and its mainstream development program "on hold" as a result of this problem.

Investors, particularly large investors, will be unlikely to commit capital to the purchase of a public enterprise if there is the possibility of a constitutional challenge. If an enterprise is purchased and additional capital is put into immovable assets in Bolivia and it is subsequently determined that the purchase was illegal, the investors would be in the unenviable position of being in a forced-sale situation with regard to both the original assets and enhancements which might then be an integral part of the facility. Even if compensation were to be adequate for the physical assets, it would be very unlikely that the time and effort of the investor would have been as beneficially spent as on some other project. Such a threat would mean that there would be no investment in the first place, which means that privatization could not begin in any meaningful way in Bolivia. The issue has been often discussed in important private sector circles and it is most likely that potential investors will be alerted to this problem by their advisers.

It is therefore our conclusion that Congressional Law is necessary, as opposed to some other legislative instrument.

D. Objectives of a Bolivian Privatization Law

1. Authority and Scope

As stated in III.B.1, Article 59 (7) gives Congress the right to authorize the alienation of "national, departmental, municipal, and universitary property and any property in the public domain." Certain items are included under the heading of Chapter II of Title One of Part Three "National Property." These are:

- Natural resources and all physical elements and forces subject to utilization
- The nationalized mining groups
- Deposits of hydrocarbons

In the case of the first item, natural resources, express power is given in Article 136 for the law to "establish the conditions of this dominion and those for their concession and allotment to private individuals." This appears to be consistent with 59 (7).

In the case of the nationalized mining groups, Article 138 states that these are part of the "patrimony" and "may not be transferred or awarded to private enterprises under any title of ownership." This seems to be inconsistent with 59 (7) as alienation by way of sale seems to be prohibited.

Hydrocarbons, according to Article 139 are "under the direct, inalienable and imprescriptible dominion of the State." No concession or contract may confer ownership of deposits of hydrocarbons. However the state may exercise its right to work the resources "through independent entities or through concessions and contracts for a limited time to mixed companies of joint operation or to private persons according to law." This too is inconsistent with 59 (7) in that it restricts alienation to activities, not allowing ownership of reserves.

The term "national assets" only appears in Article 59 (7) and in the heading referred to above, but a heading does not purport to be a definition and there is the matter of translation to consider. The "patrimony" seems to be another dimension of property which is deeper entrenched than "national assets", and this applies to the nationalized mining groups, but patrimony too could be "property in the public domain" as intended in 59 (7). As there is no mention in the Constitution other than in 59 (7) of the terms departmental, municipal or universitary property, or property in the public domain, the listing of just those few items under National Property cannot be taken as being all-inclusive to the point where a law or change in the constitution would only be needed in respect of the mentioned items.

It seems to us that a controversy could arise as a result of the inconsistencies in relation to the nationalized mining groups and hydrocarbons. Express authority is given in 59 (7), apparently in respect of all property in the public domain, and the authority is also contained in respect of natural resources in Article 136; but articles 138 and 139 expressly preclude the sale of nationalized mining groups and hydrocarbons. The question will arise as to whether Article 59 takes precedence over Articles 138 and 139. In this connection it should be noted that the language used in 138 and 139 is very strong.

An amendment of change in the constitution is possible if there is a two-thirds vote in favor of doing so in each of the legislative chambers. This course of action is not recommended in view of the controversy it would likely generate.

Therefore we will presume that the proposed law will have authority to dispose of any state assets in any way but will recognize the limitations imposed by Articles 138 and 139 of the Constitution.

2. <u>The Nature of the Law</u>

To be unrealistically simple, the law that would most favor the speedy disposal of state-owned enterprises by the government would be a law that allowed government to sell anything to anyone on any terms at any price (subject to the above). However, this would ultimately halt the privatization process as recklessness, incompetence and corruption would be inevitable under such a legal regime.

At the other extreme, the promulgation of an overly complex set of conditions and procedures would lead to the paralysis of privatization at some stage at best, and still-birth at worst. The need for integrity safeguards, transparency and catering to political issues must be balanced by the need for timeliness, creativity and a recognition of negotiating realities.

The introduction of exceptions leads to problems of interpretation and loss of investor confidence. Any statement of conditionalities in quantitative terms leads to unrealistic expectations (eg. that employees must always obtain x% of an enterprise, that government must always retain x%, or citizens or residents must own x%), because of the diversity in the nature and size of the enterprises.

Thus, any law in this connection should be clear and short, provide the requisite authority, have minimal conditionalities and leave administrative procedures to be formulated by the Executive in such a manner as to broadly assure the effectiveness and integrity of the process and the maximization of benefits in terms of stated objectives.

From all of our discussions to date with interested parties, the above, including the very need for a law, seems to be acceptable, with the exception that several opposition leaders express the view that there should be explicit quantitative criteria in relation to foreign participation (joint ventures should not be more than 50% foreign and there should be two classes of shares, one for Bolivians and one for foreign investors). We believe that this would be too rigid and

-51

cumbersome and will not be easily enforceable in the absence of exchange controls, and therefore we have not made provision for this matter in our drafting instructions for the law.

Two major additional issues were considered in the process of our formulating a conclusion:

Issue 1 - Inclusion of some specific implementation procedures in the law itself.

From meetings which we have had with political and business leaders it seems that there is a perceived need for certain basic implementation procedures to be set out in the law itself. The procedures suggested are normal for a privatization process, and mention of them in the law would not obstruct the process of implementing privatizations, in our opinion. Moreover, mention of these in the law will assist in gaining the confidence of the public. Therefore, we agree that there can be mention of a few specific implementation procedures in the law.

Issue 2 - Whether to provide limited or unlimited authorization as to the SOE's which can be privatized. Another issue raised in these meetings has been whether or not all government owned assets should be made available for privatization or whether authorization in respect of just a particular set of assets (those not owned by Central Government but owned by other arms), should be granted.

Opposition leaders stated that if authorization for only the non-controversial set of assets (i.e. such as those of the regional corporations) was sought in the law, they would take it as a demonstration that the government was not truly committed to privatization. At the same time, these Members of Congress nevertheless identified two major enterprises now held by the central government that they did not feel were suitable for privatization at this time.

Business leaders felt that every government enterprise, including those held by Central Government, should be authorized for privatization in the law.

It is our understanding that the Commission for Evaluation of Public Enterprises (see Section III.B.1.g.) is also currently of the opinion that all assets should be eligible for privatization under the law.

In our opinion, one of the main arguments in favor of privatization, that of bringing about growth, will not be as demonstrable or achievable if Central Government assets, which include utilities and transportation enterprises, are excluded. We also feel that a less than holistic approach will send unfortunate signals to the private sector, both in Bolivia and abroad. At the same time, the view of several members of the opposition that certain assets should not be privatized and the limitations on privatization posed by Articles 138 and 139 of the Constitution must be examined.

We believe that both concerns about this issue can be addressed if the law gives the Executive the authorization to initiate privatization, provided the Executive has considered the privatization in terms of certain objectives and certain tests which would be set out in the law and the exclusion of the ability to sell nationalized mining groups and hydrocarbon deposits as per Articles 138 and 139 of the Constitution.

An additional advantage of this approach is that it will promote public confidence in the process and facilitate the generic public relations effort. The publicity that the law receives will also be publicity for the objectives, which is considered vital for a successful program as explained in Section III of this report.

The objectives would be achievable by virtually any privatization to a credible operator, but the tests admittedly contain subjective criteria. Even though the tests are subjective, this will not, in our opinion, do any harm to the scope of the program because, whether or not the tests were in the law, government would in any case have to volunteer the Central Government enterprises for privatization, no doubt applying even less focused criteria. If anything, the presence of these tests in the law will reduce the number and type of objections that would otherwise be raised.

E. Review of Proposed Draft Privatization Law

As we were informed that a draft law (see Appendix G) had been prepared by the Commission for Industrial Transition, we reviewed the draft given to us on June 11, 1990. Our comments are as follows:

- The draft would permit the several arms of government to initiate and conclude privatizations in accordance with procedures to be set out in a Supreme Decree.

We do not believe that the process of privatization would likely not be carried out with a satisfactory degree of technical competence and integrity under such circumstances. Our recommendation is that the process be centralized.

- o The objectives of privatization are not specified.

We believe that since the objectives are fundamental to the program they should be set out in the law. To do so also provides public relations benefits. The objectives are those set out in Section III. C. of this paper.

- o The draft law obliges the implementers to apply criteria which are too subjective and vague (eg. that the transactions must accord with the public interest). This could expose implementers to unacceptable legal liability.

Our recommendation is that the Executive would initiate privatizations if in its opinion it would be likely to achieve the objectives of privatization referred to above. The implementing agency would be required to consider the proposed transactions based on commercial criteria. The Executive will then approve or decline to approve the recommendations based on whatever criteria it sees fit.

- o The draft law would restrict the use of privatization proceeds.

We think this restriction is unnecessary. If at a subsequent date the criteria are no longer applicable, change would require an amendment to the law which would be a lengthy process. In any event, as "funds are fungible," it would be virtually impossible to police this restriction.

- o The draft law entirely prohibits the government from providing direct credit (and it presumably was meant to cover indirect credit as well, though not stated).

In our opinion this is too restrictive. Our criterion in this regard is that the deal selected should be the one which in the circumstances "best transfers risk." It may not always be possible to transfer 100% of the risk, as this will depend on the applications received and what it is possible to achieve through negotiation.

- o The use of economic valuations is not authorized in the draft law.

Because of the potential for the valuation issue to upset the entire program, we feel it is vital to sanction the use of this method of valuation in the law.

- Guarantees from expropriation are not contained in the draft law.

The buyer and subsequent buyers of privatized assets may wish this comfort, and we understand that this would be consistent with the proposed Investment Law.

- The draft law does not expressly exclude from eligibility for privatization those two groups of assets which appear to be outside the authority of the Congress to approve for alienation, by virtue of the constitution.

As a result of the fundamental differences between what is contained in this draft law and our conclusions regarding the proper legal framework for privatization in Bolivia, we have prepared what may be considered instructions for legal draftsmen to prepare a draft law.

F. Recommended Drafting Instructions for Privatization Law

1. First Article--Power Under Which Law is Being Promulgated

Instruction:

The powers under which the Law is being promulgated should be cited. Also, out of an abundance of caution, the preamble should state something to the effect that "notwithstanding anything contained in any prior enactment concerning the matters dealt with in this Law, the provisions of this Law shall apply."

Reason:

This would be standard procedure in such circumstances. We are informed that it may not be possible to have this Congressional Law supersede other types of enactments even though it may have higher authority.

2. <u>Second Article--Definitions</u>

Instruction:

The word "Privatize" or derivatives thereof should be defined to mean "the selling, letting, transferring, dissolution, liquidation, divestment or disposal by any other means of enterprises or of any or all of the assets or activities of enterprises or of other assets or activities in whole or in part, which are wholly or partly owned by government or any part of government (hereby defined as "government assets"), to a legal person or persons other than government or any part of government, subject to the following exclusions in accordance with Articles 138 and 139 of the Constitution of Bolivia:

(i) The transfer or award to private enterprises under any title of ownership of any nationalized mining group.

(ii) The conference of ownership of deposits of hydrocarbons by any concession or contract.

Reason:

This will avoid repetitiveness throughout the Law. The mention that the exclusions are by virtue of the Constitution is to demonstrate to the investing public that the exclusions are not necessarily a result of the wishes of government. Highlighting the exceptions would be for a political purpose relating to the other audiences.

However, care must be taken to ensure that the scope of this law does not interfere with the intent of the Mining law and the Hydrocarbons law now under consideration by the legislative chambers.

3. <u>Third Article--Authorization for Executive to Initiate Privatizations</u>

Instruction:

This article should contain the authorization for the Executive to initiate any privatization (as defined), by way of Supreme Decree, PROVIDED THAT it is considered reasonable by the Executive to expect that the privatization or privatizations will result in the attainment of one or more of the objectives of privatization as set out in the Sixth Article of this Law AND PROVIDED THAT the enterprise does not appear to be one which should not be privatized by virtue of the Seventh Article of this Law.

Reason:

There is debate as to whether the Executive should attempt to obtain the power to privatize any and all government assets or only the non-controversial assets which are those not owned by Central Government. It is envisaged that the first Supreme Decree in this connection will authorize the privatization of all assets not owned by Central Government as it is generally believed that this will not be controversial.

Because of the expected reluctance of Members of Congress to give unqualified approval for the disposal of Central Government assets, provisos have been included which oblige the Executive to screen a proposed privatization against certain objectives and tests. A close review of the objectives and tests will show that virtually any enterprise can survive the screening process.

4. Fourth Article--Obligation of the Executive to Set Up an Institutional Framework

Instruction:

This article should obligate the Executive to establish an institutional framework to provide assurance that the methods to be used to effect privatizations will be those which, under the circumstances, can provide the best optimal mix of transferring economic risk from the Government to the private sector and which maximizes the proceeds to Government, with adequate safeguards to promote integrity, in an efficient and competent manner [whilst preserving the rights of workers] taking into account that the measures must include:

In all cases:

- The obtaining of independent, expert advice as to the potential of the government asset under reasonably obtainable conditions so as to evaluate the asset for the purpose of setting realistic terms and conditions for privatization.

In the case of public share offers:

- Only privatizing by such means where the risks to the purchasers are considered to be relatively low, and ensuring that adequate management is in place which has a significant interest in the results of the enterprise, possibly through partial ownership acquired prior to the public share offer.

.63

- The granting of employees and smaller applicants priority over larger applications at the time of the public offer, with employees being able to purchase at a discount and on terms.

- Ensuring that there is a low enough minimum application amount which is economical and that there is effective, widespread publicity to attract as many applicants as possible, providing as many distribution points as possible to facilitate applicants.

- The preclusion of subsequent concentrations of ownership beyond a certain limit specified in each case for a period of at least three years and the inducement of smaller shareholders to retain their shares for at least two years following the share offer.

And, in the case of privatizations by other means:

- Ensuring that there is a cost-effective process to ensure that as many bids of quality are obtained for the asset being privatized.

- That independent, competent advisors or staff are retained to evaluate the bids and negotiate the final terms of divestment.

Reason:

It is our understanding that Congress will wish certain minimum attributes of the institutional framework to be contained in the Law. The above features, which refer to the rights of workers and to widespread share ownership are politically appealing and standard features of successful privatization programs. [Reference to the "rights of workers" does not prohibit the reduction of staffing and is actually a redundant condition, as the rights of workers would have to be taken into account in any case, as much, for example, as the rights of creditors].

The qualifying words "in the circumstances" in the fourth line of the instruction is intended to provide total flexibility in the structure and pricing of the transaction.

5. <u>Fifth Article--Authority to Apply Going-Concern Valuations</u>

Instruction:

In the evaluation of the asset for the purpose of setting realistic terms and conditions for privatization referred to in the Fourth Article, it is accepted that a valuation on the basis of the then current economic value of an enterprise to potential purchasers can be applied when warranted by the circumstances.

Reason:

The process of privatization in most countries has suffered from a lack of understanding of the criteria used by investors in making investment decisions.

In general, absent certain expected synergistic benefits which can accrue to the investor or the intent on the investor's part to redeploy the assets to some other use or to sell them individually, investors will only spend a total amount on an investment, including needed rehabilitation work and additional working capital, that will enable the projected potential maintainable earnings of the business to yield what is to the investor an acceptable rate of return. The rate of return which is acceptable to an investor will be one that he could obtain through alternate use of capital, taking into account business and political risks.

More often than not, the economic value of the enterprise will be well below the expectations of governments, which are typically based on book values or replacement values.

Unless the Law itself sanctions the use of economic values, Bolivia's program could become bogged down or controversial, as has happened in nearly every other country where there has been a lack of clarity in this regard.

The words "when warranted by the circumstances" should serve to restrain any tendency to use economic values for expediency alone, since there are other legitimate methods which should be used in certain circumstances.

6. <u>Sixth Article--Objectives of Privatization</u>

Instruction:

The objectives of privatization, which is the basis for the initiation of a privatization by way of Supreme Decree subject to the exclusions in the Second Article are:

- To permit economic growth and employment without sacrificing hard-earned economic stability

- To improve the efficiency and competitiveness of the economy

- To develop the capital market and democratize ownership

Reason:

This article serves a double purpose.

First, it provides Congress with comfort that there will be a rationale for privatizations and is related to the proviso in the Third Article.

Secondly and of more long-term importance, the list of objectives constitutes the cornerstone of the entire privatization program. It is a list that will be widely publicized, and it will be the basis of generic public relations concerning the privatization program. Government spokesmen will be more consistent in the message and critics of the program will be forced to react to the objectives instead of putting the government on the defensive. Since the early days of privatization as a world phenomenon, the need for a clear, short list of privatization objectives has been considered vital by practitioners, and the absence of such a framework has usually been accompanied by a less than successful program.

7. <u>Seventh Article--Tests of Suitability for Privatization</u>

Instruction:

The tests of privatization, which are the bases for the initiation of a privatization by way of Supreme Decree subject to the exclusions in the Second Article are:

(i) There are not compelling reasons for retaining the activity as a Government function.

(ii) Privatization would not lead to unacceptable disruption in an essential public service activity.

(iii) Either private sector competition exists or effective regulation of a possible de facto monopoly is possible.

(iv) Either the service could be produced and delivered by a private sector group in a more efficient, cost-effective manner or Government cannot provide adequate capital for the provision of the service at the level demanded without risking national economic stability.

Reason:

As in the case of the previous article, this corresponds to the proviso in the Third Article. Apart from the first totally subjective test, which would be used whether or not it were contained in the Law, the tests are such that virtually any privatization can be rationalized if Government is of a mind to do so, but, of course, the converse is also the case. The fact is that even by granting blanket authority without any tests, each Central Government privatization would be voluntary and subject to internal debate. The publication of the Law including the tests will increase public confidence in the process.

It has been suggested to us that this set of restrictions should not be contained in the first Bill submitted to the legislature so as to allow the opposition to introduce this as an amendment. We will have to leave this to the judgement of the political directorate, as such a process will take extremely delicate and confidential handling.

8. <u>Eighth Article--Review of Institutional Procedures</u>

Instruction:

The Controller General or his representative should have the right to enquire at any time into the processes being followed within the institutional framework to effect privatizations and be given access to all information and records which he believes to be pertinent. He may report his findings to Congress on an ad-hoc basis.

Reason:

To allow both pre- and post-facto reviews to take place at the option of the Controller General. By virtue of the SAFCO law, according to our discussion with the Controller General, he would automatically have this power; however we recommend its specific inclusion in this law as well, in view of the comfort it should provide to the readers of this law in isolation who would not know of the general power.

9. Ninth Article--Anti-Expropriation Assurance

Instruction:

All investments made with respect to privatized assets, whether by the initial or subsequent investors, may not under any circumstances be acquired by the state, other than as may be expressly contractually agreed between the government and the initial investor.

Reason:

Although this topic may or may not be adequately covered in the Investment Code which is in the process of consideration by Congress, it is not certain that that law will be passed before this one. In any case we have been advised by attorneys that such a clause is necessary.

Temporary takeover cannot be prohibited outright considering, for example the possibility that the telecommunications facilities may be required to be controlled by the military in emergency situations. In such circumstances the investors should receive compensation in accordance with an agreement. The terms of such takeovers would normally be agreed upon at the time the investor makes the investment. Also, as a commercial reality, an investor may wish it to be the obligation of the government to buy back the asset if operating licenses are not renewed or if government does not live up to other agreed conditions. This is why the words "other than as may be expressly agreed...." are included.

V. FINANCING STRATEGY

A. Introduction

Privatization offers Bolivia an opportunity to increase economic growth, efficiency and profitability. The benefits for the State and the people are compelling, but the road to a primarily private economy will be challenging to structure and finance. This section will review the options, discuss the limitations and opportunities, and recommend the tools available for overcoming the obstacles.

Financial Objectives of Privatization

The financial objectives and goals that should guide Bolivia in the search for a means of wide-scale privatization are:

- Transfer of ownership risk from public to private sectors - Create a sound financial basis for the future viability of the enterprise
- Ownership diversification within the private sector - Development of the capital markets.
- Realize adequate value for assets

B. Sources of Financing

The Bolivian Financial System

a. The Commercial Banks

A critical obstacle to the ability of the Government to carry out an extensive program of privatization is the current weakness of the Bolivian financial system. Financial depth (i.e. the ratio of financial assets to the GDP), which is around 20%, is low compared to most developing countries. The liabilities of the commercial banking system represents 90% of the total system resources and is only $700 million. Virtually all of these deposits are highly volatile, short term accounts denominated in U.S. dollars. Over 80% of the liabilities of the banking system are in U.S. dollars.

The limitation on the ability of the commercial banking system to finance privatization is readily illustrated by the low capital base of the system. Prudent regulation restricts Banks from lending more than 10% of their capital in a single transaction. The total capital in the banking system is currently estimated at around $40-$50 million. This would limit the size of any loan, even syndicated loans drawing on the entire banking system, for a prospective transaction to $4 or $5 million.

In practical terms, therefore, only some of the smaller privatization transactions could be financed through the banking system. Since the banks' deposits are very short term, it would be unwise to expect them to make medium-term or long-term loans. Therefore, the banks can only participate in the privatizations in a limited way through the financing of the newly privatized industry's short term working capital requirement.

It is the opinion of the consultants that because of the financially tenuous nature of the commercial banks, it would be unwise to encourage or permit the banks to engage in incremental leveraging of capital of privatized SOE's. The consequences of any financial failures by the enterprises would have repercussions for the entire financial system.

b. Other Financial Institutions

In addition to the Bolivian Commercial Banks, Bolivia's financial institutions comprise several fledgling institutions which, while weak at the present, should become strengthened through the process of privatization. Specific programs should be put in place to assist these institutions to develop their capability to attract new forms of long-term savings which can support Bolivia's development.

1) Savings and Loans Associations

The Savings and Loans Associations in Bolivia report total aggregate savings of U.S. $70 million. The member associations throughout the country pay 14% on deposits and lend at 18-19%. Although they lend for periods of up to three years, they are unlikely to participate in financing privatization due to their limited scope of activities and size.

In some of the smaller regional SOE's, the Savings and Loans Associations might be able to provide small loans to finance real estate related assets and equipment or alternatively, loans to individuals to purchase shares if other security is provided. As with commercial banks, the same risks exist concerning the over-leveraging of the privatized SOE's and the weakening of these associations' loan portfolios.

2) Insurance Companies

Bolivian insurance companies offer little possibility of participation in financing privatization, due to their limited financial size and lack of liquidity. These institutions, as well as private pension funds, however, are an important potential future source of long-term capital for Bolivia. The fourteen national insurance companies reported total equity of U.S. $14.4 million and assets of U.S. $39.4 million (1987). An estimated U.S. $24 million in premiums were paid in 1989.

The majority of portfolio assets are real estate related, including buildings and other income producing properties. The balance of assets include: machinery and equipment, bonds, equity shares and liquid assets (certificates of deposits). Although insurance companies are not prohibited from investing in equities they reportedly do not have adequate liquidity available at the present time to invest long-term, and little of their income is generated from investments. We were told that as a result of inadequate regulation and supervision of these institutions a number have negative net worth and are in very poor financial condition.

Insurance companies and private pension funds are not currently possible as a potential source of long-term capital given the existing legislation. However, in comparison to other financial institutions these types of institutions tend to have long-term economic view, especially life insurance companies and pension funds that have long-term liabilities, and have the ability to invest in both equity and debt instruments. A parallel program aimed at strengthening these institutions may create a pool of long-term funds that can be utilized in future privatizations. And once these funds become available, privatization of sound companies may provide sound investment opportunities for these companies.

c. Private Sector Capital

The Bolivian private sector contributes significantly to the nation's employment and GDP. This sector has been adversely affected by the financial instability of the country and structural impediments created by governmental policies.

ownership is highly concentrated, and protectionist practices have led to a limited competitive atmosphere. However, reports have recently emerged that the State's emphasis on market forces has increased private sector confidence. Privatization would likely be the catalyst that fosters private sector, and hence economic growth.

Private sector capital is difficult to measure as a source of funding acquisition of SOE's. With some notable exceptions, most of those interviewed for this report responded negatively as to the likelihood of private capital being available for acquisitions. The economic reports on Bolivia, together with monetary statistics and other data, appear to confirm that private sector capital and liquidity are likely to be a limited source of financing. There appear to be few incentives for saving or investment as well as limited options for those who have capital. It is widely acknowledged that substantial assets are owned abroad by Bolivians who participate in the formal sector, ranging from $1 to 4 billion. Repatriation for investment in Bolivia might occur under a highly favorable investment environment such as is now occurring with 14% C.D. rates; however, this cannot be counted on for privatization.

Irrespective of the limitations of private sector capital, it will be necessary to create an attractive investment environment which will contribute to the development of a core of risk capital for privatization. Expanding the opportunity for investment to a broader base of Bolivians is part of the challenge of selecting financing structures. This will need to be augmented by incentives and foreign capital.

Evidence shows that in other countries with comparably limited private sector capital appearances can be deceiving. For instance, in the case of Jamaica's privatization a surprising amount of funds materialized when attractive opportunities were presented to raise equity.

As a practical matter, the amount of capital available through the private sector is unlikely to be known or measurable in advance. Rather, once implementation of privatization projects commences measuring this source of financing for future divestitures truly begins. This factor underscores the importance of a carefully implemented strategy for sourcing funds in this market. This strategy should include financially attractive propositions, widely publicized promotion and education, starting with smaller amounts to test the market.

d. Bolsa de Valores

The Bolsa was started during the past year in Bolivia with the assistance of USAID and Bolivian financial institutions. It is open for a short period daily, and its financial products are limited to interbank trading of certificates of deposits. Through mid-June 1990 a reported value of $250 million in CDs has been traded. The brokers are being trained in Bolivia and are scheduled for a course in Mexico in the near future.

The body of law under which the Bolsa operates is the Codigo de Comercio. Limited to ten pages, the original authors did not contemplate the scope of requirements necessary to effectively operate a Bolsa. In order to develop the expanded regulations, interpretations and rules have been established through a special commission which oversees these activities.

In order to establish a proper legal framework to allow the Bolsa de Valores to effectively operate and to create proper rules and definitions for debt and equity instruments, there presently exists a proposed Ley de Valores Mercados. Such a law is a basic pre-requisite to the development of the Bolsa to the point where it can play a role in Bolivian privatization.

Although not reviewed as part of the scope of this study, individuals associated with USAID have been actively involved with the Law's development. Timing for its passage and implementation is uncertain.

Frequently cited in interviews is the lack of products for trading in the Bolsa. Also mentioned is the reluctance of existing Bolivian companies to be listed on the Bolsa. For reasons which include the public disclosure requirements which are contrary to traditional business practices of private sector companies. Even though the Bolsa represents the potential for raising capital, the cost of such capital is viewed as too high when disclosure and other requirements are taken into account.

Irrespective of these limitations, the Bolsa de Valores represents an opportunity over time to be a valid mechanism for raising both equity and debt for SOE divestiture. Indeed, privatization should be viewed as an opportunity to create a basis on which the Bolsa might grow and become meaningful to the private and public sector.

Since there is no prior experience in raising equity through the Bolsa, private sector companies are reluctant to risk being the first to venture into untested waters. Because the demand for equities in Bolivia is unknown, they are reluctant to place on public record information about their firm which is now private and incur the expense of a public offer only to have their shares "rejected". If the government could start the process by holding a successful public offer of shares in a suitable company, there should be a demonstration effect to the private sector that significant equity capital can be raised by this means.

Aside from equity instruments, the Bolsa could be especially effective for raising debt issues. Most likely in the 3 to 5 year range, corporate bonds for the more creditworthy companies should create additional financial intermediation. To the extent that banks lend only short term and have funding and other structural impediments, the Bolsa could create a lower cost and longer term alternative.

C. Foreign Investment Capital

1. Potential as a Source of Capital

For privatizing the largest of the SOE's, foreign investment is expected to be a likely pre-requisite to privatization. In addition, technology, management and future capital expenditure sourcing are required as part of such participation. The economic and political environment in Bolivia, in the past has not been conducive to a significant level of foreign investment. However, the investment climate has improved over the past several years since the NEP established a basis for improvement. The recent announcement of a $25 million mining joint venture between RTZ and Bolivian partners provides one example of the improved climate. Currently under negotiation are three petroleum exploration agreements for $10 million each with Chevron, Texaco and Shell.

These examples highlight the fact that the mining and petroleum sectors, i.e., natural resources, hold the greatest promise for foreign capital.

In general, foreign investment will unlikely be forthcoming to industries producing for only domestic consumption, except when tied with producing and selling capital goods such as telephones, transportation, rolling stock, etc. Foreign investors in these domestic industries can be rationalized on a different basis and will probably seek export credit financing or other creative financing solutions.

2. Foreign investor considerations

Foreign investor considerations include:

- Long term historical economic and political difficulties
- Democratically-elected government
- Inflation reduced to 10-15%* level after 1985 hyperinflation
- Foreign currency freely available
- Large mineral potential
- Lack of educated workforce
- Poor transportation between regions and to neighboring countries
- GNP growth positive beginning in 1987 after several years of decline
- Present State encouragement of private investment
- Low-rate, broad-based tax system
- Cost of labor law
- Mixed economy; trend toward privatization
- Closely held companies common; company groups rare
- Very few specific investment incentives
- No exchange controls on remittances abroad
- High internal interest rates
- Limited infrastructure
- Bolivians and foreign investors treated equally; 100% ownership allowed
- New investment, hydrocarbons and mining laws not yet enacted

The legal environment in Bolivia for foreign investors is complex; related issues are discussed in greater detail in Section IV of this report. Though favorable incentives exist, there remains substantial room for improvement in alleviating potential obstacles to attracting foreign investors.

Taken as a whole, the new tax system in Bolivia does not appear to create barriers to foreign investment. Indeed, the rates are quite low. The tax on net worth rather than income, currently 3%, however, creates a disincentive to capital accumulation. During periods of high inflation with asset re-evaluation, net worth taxes could become onerous. For most foreign investors, the net worth tax would likely result in double taxation since most countries recognize only income taxes as creating tax credits that can be used to offset tax liabilities at home. To offset this differential, investors would seek an incrementally higher return on investment in Bolivia. Bolivia currently has no tax treaties with other countries, except for the Andean Pact.

3. Promoting Foreign Investment

Experience in other countries demonstrates that a targeted and well-developed promotion program to attract investors to Bolivia would be warranted. Simple business logic suggests that one should pursue investors and not wait for them to arrive at the door. Generally, to attract foreign capital investment for both privatization and for fostering private sector economic development activities, it is recommended that consideration be given to the creation of a Bolivian trade and investment program to focus on foreign capital sources and act as a clearinghouse of information concerning Bolivia.

4. Steps for Sourcing Foreign Capital

As a near term and more targeted objective of sourcing foreign capital to finance the larger SOE's such as LAB, ENTEL, etc., the following steps would need to be taken under the general responsibility of the Privatization Commission:

1. GOB assessment and decision to proceed including establishing the legal framework,

2. Preparation of historical and projected financial statements (GAAP) and development of a preliminary business plan,

3. Independent third party valuation,

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4. Retain world class investment bankers as financial advisors to further develop business plan, structure and implement strategy, and conduct preliminary foreign market survey,

5. Prepare information/offering memorandum and distribute to foreign candidates to solicit proposals,

6. Negotiate proposals,

7. Simultaneously with steps 4 and 5 above, a parallel effort would be mounted to source Bolivian participation, depending upon business plan objectives,

8. Finalization of terms and conditions, closing and implementation.

The entire process following Step 1 could easily take up to one year or longer for implementation. To expedite the process, create a foundation on which to build, and generate enough momentum for the process to follow through to completion, it is recommended that USAID consider providing assistance with Steps 2 and 3 above for selected enterprises.

The selection of an investment banking firm to represent the GOB follows in Step 4. With comprehensive financial data, preliminary business plan and valuation, the investment banking firm would develop a more in-depth assessment and structure to the divestiture plan. Based upon worldwide experience in similar transactions and familiarity with the likely foreign candidates and their investment criteria, they would suggest modifications that would result in a final recommended structure and plan in conjunction with the GOB and the SOE, prior to formally approaching the foreign market. At an appropriate time in this process, an informal series of discussions would begin with a variety of foreign companies for the dual purposes of properly assessing the market "appetite" and criteria, and for establishing a level of pre-sale interest. Preliminary feedback is essential in the formative part of the process to assure that the final proposal is favorably received by foreign participants.

Once the offering memorandum is circulated, the active work of promotion begins with a series of "road shows" abroad and receiving foreign visitors in Bolivia who will conduct their own in-depth studies of the enterprise. This period could be anywhere from two to six months prior to achieving the objective of receiving proposals. The negotiation phase of transforming the selected proposal into reality, again, could take two to six months and perhaps longer before final closing, with a multitude of steps in between, including sourcing additional financing.

Investment banking services for this scope of work will typically cost from 1 to 3% of the total transaction amount, generally paid on a success fee basis with a retainer fee at initiation of the engagement. All legal and other expenses are generally paid for by the divesting entity.

5. <u>Foreign Commercial Banks</u>

In light of the experience during the 1980s relating to Bolivia's foreign bank debt, it is unlikely that foreign commercial banks will participate in any lending for the foreseeable future. Exceptions exist but are primarily tied with financing external commercial trade and lending against collateralized deposits abroad.

Debt to equity swaps could be a means for these banks to participate either directly or indirectly. Of the $220 million of outstanding debt to foreign banks, at the 11% rate offered, few appear interested.

D. <u>Economic and Financial Considerations of SOE's</u>

An integral aspect of financing privatization is the overall economic history and future prospects of each enterprise. A prevailing expectation is that SOE's with unhealthy financial results can be privatized. Clearly, companies which lack existing or highly promising economic merit are unlikely to attract capital. In some cases, it is likely to be preferable to cease operations and liquidate assets. In other cases, reorganization and commercialization are necessary before partial or complete divestiture is a feasible option. Enterprises need to be individually analyzed in order to quantify and qualify their economic merits and future outlook. The characteristics which emerge from such analyses will determine the most suitable financing mechanisms and sources to employ. Each enterprise appears to be unique, which suggests that no single plan or formula will likely apply to all in the privatization process.

1. Enterprise Valuation

A key part of such an analysis includes the determination of the value of the enterprise. Valuation is expected to be a controversial issue in Bolivia. Recent news articles indicate expectations of realizing gains of up to $U.S. 500 million from the sales of SOE's. In reality, net cash revenues realized from divestitures are likely to be a fraction of this amount as a result of the disparity between stated book values, realistic market values, limited capital sources for investment and structural/legal impediments to implementing divestitures.

In addition, many of the enterprises will have substantial future capital requirements requiring financing that should figure into these values.

2. Business Analysis

Each enterprise requires a thorough business analysis in order to arrive at a realistic valuation. What follows is a recommended format that can be used by the Privatization Unit in preparing these business analyses and plans.

1. Investor Considerations

   - History and current status of the enterprise
   - Markets and competitors
   - Capital requirements for future operations
   - Location and premises
   - Management evaluation
   - Product - technical and quality - evaluation
   - Manufacturing Evaluation
   - Workforce evaluation
   - Sales and marketing/analysis of current and potential

2. Legal Considerations

   - Corporate, statutory and regulatory documents
   - Management/Labor obligations
   - Property titles and liens
   - Other

3. Accounting Considerations

   - Past financial results
   - Accounting policies
   - Compliance with accounting standards
   - Consistency of application

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- Financial Statements
    - Income Statements
    - Balance Sheets
    - Cash Flow analysis
- Taxation

4. Recommended Capital Structure for future operation.

5. Pro-forma operating budgets and cash flow statements.

With the information provided by such an analysis, an enterprise can be valued by the government, potential buyers and other financial participants.

3. <u>Valuation Criteria</u>

Valuations can be determined utilizing a range of techniques. (see Appendix C for a further discussion of this issue). These include book value, going concern value, replacement value, liquidation value, asset value, market value, discounted cash flow value and many others. Although there are valid theoretical arguments which might support any of these as most appropriate for a given enterprise, it is our conclusion that a market related valuation is the only meaningful measure. Such value for an economically viable going concern is related to the net free cash flow [1] that a business can generate as weighted against the amount of capital required to "purchase" this stream of cash flows. The projected cash flow return on investment is a key criteria of any buyer and is evaluated in conjunction with risk factors and other qualitative elements.

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[1]Net free cash flow is defined as the sum of net income plus non cash expenditures (depreciation) less current working capital requirements (current assets less current liabilities) less approximate cash available after all requirements before capital expenditures and dividends to shareholders. The foregoing terms used in this formula are based upon generally accepted accounting principles and assume the accrual method of accounting. It is important to note the majority of SOEs follow a different system of cash flow accounting which has been recently implemented for consistency. The methodology and monitoring is assisted to a large degree through SAFCO.

4. Typical Multiples of Cash Flow:

A frame of reference and a shorthand approach for quantifying companies is fairly well established and is based upon the divestiture of enterprises internationally. Service-sector Companies can generally be sold for 2 to 3 times net free cash flow while capital intensive and high-growth enterprises are often valued at 6 to 8 times net free cash flow. Although a multitude of other factors have a bearing on these measures, including the availability of capital, realistic value expectations for Bolivian SOE's should likely achieve, on average, 3 to 5 times net free cash flow. However, the actual range will be greater and will vary with the circumstances of each company. The estimated multiple of 3 to 5 times net cash flow is consistent with the projected requirements for the return on capital ranging from 25 to 40%.

5. Expected Rates of Return to Capital

The range of return on capital of 25 to 40% is affected by economic and risk factors. The economic factors include the cost of capital (high in Bolivia as measured by the competing 14% C.D. bank rate), market risks, the inflation rate, and scarcity of capital. Key risk factors include Bolivian political and economic stability, legal and tax considerations, and expropriation. Due to the perceived differences in risks and economic opportunity costs, foreign investors would expect returns at the higher end of this range and local investors would likely be satisfied at the lower end.

For SOE's which are generating deficits, an entirely different approach will have to be taken and will relate to the value of individual assets and/or the potential value of the business in a turnaround situation. The same is true for leasing arrangements.

6. Calculation of Total Financial Needs

Broadly speaking, financing the acquisition of a SOE includes three main components: the initial acquisition funds, working capital for ongoing operational requirements (inventory, receivables, cyclical needs, etc.) and capital expenditures in fixed assets to maintain and expand the business equipment, plant, etc.). The latter two categories are often overlooked by the seller, but for the buyer they are a major consideration. They affect both price and financing feasibility if substantial outlays are required. Cited in our interviews were numerous examples where SOE capital expenditures have been deferred so many years due to inadequate government funding. Significant investment requirements now exist to simply maintain status-quo without considering the modernization required to become efficient and competitive. The limited availability of governmental capital was also cited by government sources as a motivating reason to privatize.

7. Prudent Capital Structures Required

To develop more fully the foregoing analyses, valuations and considerations to the ongoing financial requirements of the enterprise for working capital and capital expenditures, the issue of leverage should be examined. Leverage, or the relative amount of indebtedness to the total capital of a business, will have a significant impact on the financial health of the business. As stated among the financial objectives of privatization, the ultimate structure chosen should create a sound basis for the future viability of the enterprise. Therefore, leverage should be cautiously employed to the extent debt is available or specially created to facilitate divestiture. With Bolivian commercial rates of 22 to 30%, the profitability and cash flow of an enterprise must be extraordinary to keep pace with the debt service requirements of interest alone. Additional requirements to amortize principal can quickly drown a business, particularly when, as in Bolivia, debt is available only on a short-term basis. Even if debt were available at lower rates and on a longer term basis under special financing programs created for privatization, it would be unwise to allow highly leveraged transactions to be implemented. The downside consequences to both the enterprise and its creditors could be financially painful and moreover could affect the overall viability, financial environment, and public opinion for privatization in Bolivia.

In economic terms, the cost of capital can be viewed in its simplest form as the weighted average of the cost of debt and the cost of equity for a given enterprise. When the debt component is as high in commercial terms as it is in Bolivia, sound finance suggests that the equity component form the larger of the two in establishing an appropriate capitalization mixture. Indeed, the effective cost of debt in Bolivia is compatible with the lower end of the range of return on equity measures.

As a general guideline, it is recommended that the financial plan for newly privatized entities restrict debt levels to 15%-40% of the capitalization. This would include future capital requirements in the period immediately following privatization. Clearly, each situation will vary, but the goal is to establish a prudent capital structure which offers business a better likelihood of survival in an uncertain economic environment.

E. Financing Mechanisms and Structures

1. Cash Sale/Direct Purchase

The most straightforward and attractive method of divestiture is the all-cash sale. After following the prescribed methods for publicly announcing the sale and soliciting bids, this mechanism reduces decisions to evaluating and choosing the highest price. Once sold, the responsibilities of the government are concluded. (In theory, but unfortunately not likely in practice.) This assumes the buyer has sufficient funds either as all equity, or equity and debt sources from third parties.

Although some of the regional SOE's might be privatized on this basis, it will be unlikely as the normative case. Again, the limitations of private capital, both equity and debt, would restrain efforts. In addition, only SOE's which are economically attractive would be candidates.

The cash sale, or direct purchase of a enterprise is also more complex than selling an asset. An enterprise has liabilities as well as assets. These liabilities might include trade and other indebtedness as well as pension and employee obligations and rights. There will also be contingent liabilities which may or may not be known and disclosed as part of the evaluation process.

In general, a sale or purchase can occur with respect to the ownership shares of a given enterprise. Alternatively, assets and liabilities of the enterprise can be transferred from one party to another. In the case of ownership shares or stock, the new shareholders accept the business as a going concern with all its assets, liabilities, employees and legal framework. Sale or purchase of select assets and liabilities transfers the economic essence of an enterprise into a new legal ownership structure leaving the original ownership shares and residual assets and liabilities in the hands of the original owners. Employees which are deemed desirable and/or necessary for the new enterprise are selectively hired, while those who are not are left within the shell of the old business. These transferred employees, who have now been effectively terminated, look to the original owners to provide pension, severance, etc. from the proceeds of the asset sale.

The issue of liabilities, real and intangible, known and unknown, is expected, in addition to financing, to be one of the largest obstacles to implementing privatization. Unfunded employee pensions and social obligations together with statutory severance rights may cost more than the value of the assets. This will particularly effect SOE's which have chronic over-employment since private concerns often reduce the number of workers and management in order to improve efficiency, reduce overhead and become economically viable and profitable. Similarly, liabilities of a contingent nature which are not known or quantifiable create a dilemma. For example, a lawsuit or creditor might make claims on a newly privatized SOE for activities or transactions which occurred in past years.

For these reasons, the cash sale mechanism of selling existing shares (all liabilities and assets) is preferable from the government's viewpoint as a means of terminating its role and responsibilities. From the buyers' viewpoint, liabilities, other than normal trade credit, are likely to be unattractive, uneconomic and in some cases much too high a risk to warrant investing capital. The prudent buyer will therefore choose to purchase the selected assets and only assume liabilities on a specifically agreed basis leaving the balance of liabilities in the government's hands. In this sense, the cash flow consequences of leasing and borrowing are quite similar as far as the user is concerned.

Upon review of these issues, it appears that the most realistic and sound way for sales/purchases to occur in Bolivia will be through the asset sale mechanism. Politically, it will give the appearance of a higher price for the enterprise, while the unassumed liabilities will remain with the government. The largest and most controversial of these will be employee related liabilities. The ultimate cost of this to government could be higher than price received for assets in some cases. However, if privatization is to succeed in Bolivia, these issues must be rationally understood and accepted.

2. Leveraged Sale/Buyout

A leveraged divestiture is no different in concept from the cash sale/direct purchase discussed previously, except for the extensive use of debt instruments. However, for the costs and risks examined earlier and the insufficient availability of large scale loan money, this debt-favored mechanism should not be emphasized for implementing privatization.

Leverage could be applied as a mechanism if a new long-term source of low interest rate financing were created specifically for privatization. While loans directly or indirectly sourced through the GOB could be considered contrary to the purposes and goals of divestiture, bilateral and multilateral agencies might assist this process.

3. Leasing

Leases are a common financing mechanism that generally relate to specific assets. In simple terms, leases are longer-term rentals which involve a series of fixed payments by the lessee (user) to the lessor (owner). For example, if you sign an agreement to rent an apartment, you are the lessee and the owner is the lessor.

Companies lease as an alternative to purchasing capital equipment. Essentially any kind of asset is a candidate to be financed in this way: computers, aircraft, trucks, railroad cars, heavy machinery, real estate, office equipment, refineries, chemical plants, etc. Payments are specified as monthly, quarterly or semi-annually beginning with the first payment upon contract execution. Payments are usually designed to be level or of approximately equal amounts, but the timing and amount of the payments can be tailored to the lessee's cash flow availability.

Upon conclusion of the lease, the leased asset reverts to the lessor. Alternatively, a lease can be structured to include an option to purchase the assets or to extend the lease for another period of time.

Operating leases are short term and, at the option of the lessee, can be canceled during the contract period. Financial leases (also capital leases, full payout leases) are long term, non-cancelable contracts which extend over the estimated economic life of the asset.

Financial leases are a source of financing. Signing a financial lease contract is like borrowing money. The lessee is relieved of having to pay for the asset before he can use it. But the lessee also assumes a binding obligation to make the payments specified in the contract. In this sense, the cash flow consequences of leasing and borrowing are quite similar as far as the user is concerned.

Leasing should be considered as a financing mechanism in privatizing certain of the SOE's or at least portions of their assets. Given the limited capital and financing available in Bolivia, leasing could provide a mechanism to transfer operations and would not require any privatization laws to be passed in advance since the state would still own the asset.

However, a drawback to leasing relates to the financial objectives of privatization. Specifically, the transfer of ownership risk from public to private sources has not been achieved. For instance, should the enterprise be unsuccessful in private hands and cash unavailable to meet the lease payments, the assets would face reversion back to the state.

Notwithstanding this limitation, leasing is a valid mechanism particularly as an interim step to privatization. In cases where existing management and/or worker groups are the only likely candidates to acquire the business, a financial lease or a lease with an option to purchase could be a viable means to privatize.

4. Employee Purchase Plans

Democratization of capital, as one of the goals of privatization, should include plans to allow employees to purchase ownership shares. Ownership, sense of responsibility and vested interest in creating more efficient and profitable enterprises are best oriented around those whose livelihoods depend on the enterprise. Employee shares can play a partial role in capital formation; however they will unlikely account for the entire source of financing except in unusual circumstances such as cooperative acquisitions.

Employee stock purchase plans can take a variety of forms ranging from options and outright investments to loans for purchases. In Bolivia, the severely limited level of savings and capital in the hands of workers and management suggests that cash investments from this source are unrealistic in any meaningful amounts. Stock options are only useful in countries where a stock exchange is more developed. Loans to employees to purchase shares appear to be best mechanism to select in such an environment.

Low interest loans to employees could be created through a bilateral or multilateral agency such as USAID. Most likely, it would be administered through a local entity and funded upon divestiture of a given SOE. As structured in other countries, employee purchase plans generally allocate funds from wages toward repaying loans over one to three years. Shares are held for collateral, and are restricted from being traded or sold for up to three years to avoid adversely affecting the share values of new companies.

Overall, employee purchase plans would only be expected to represent 10 to 15% of total equity, which generally reflects the employees' limited buying power. International experience has indicated that these shares generally require an offering at a substantially discounted value for both economic and political reasons.

5. <u>Debt Equity Swaps</u>

A debt equity swap is the exchange or conversion of a foreign debt obligation into a domestic equity position in a private enterprise. The exchange cancels debt at a discount to face value and creates a mechanism for reinvestment at a specified value.

Although debt for equity swaps have been used extensively and effectively in Latin American countries such as Chile and Mexico, their usefulness will be limited for Bolivian privatization. Although frequently cited as a source of private sector financing, it is important to note that with the exception of land acquisition by the Nature Conservatory, no Bolivian debt-equity swaps have yet been consummated. Presently reported are a total of U.S. $60 million of bonds issued by the Ministry of Finance held by foreign creditors resulting from the first stage of debt conversions. This value is the face amount and on a present value is estimated to be at most worth U.S. $25 million. Additional bonds are held by the central bank and YPFB; however, the ultimate disposition of these is unknown and should be explored to ascertain availability for privatization.

The total outstanding external commercial bank debt has now been reduced to U.S. $220 million following the negotiated buy back by the government at $.11 on the dollar. If the entire remaining balance were to be converted at the $.11 rate, it would total U.S. $24.2 million. The Central Bank's mechanism includes a 50% premium ($.165 total) to those who wish to convert for investment purposes and requires special approval.

Those bank creditors who hold this remaining debt are thought to be unlikely to convert. They represent a residual pool who believe that the obligations are worth more and either do not wish to realize the accounting losses or they have other reasons to maintain their existing positions.

Another source of possible debt-equity swaps might be the Bolivian external debt owed to bilateral and multilateral institutions, though these are unlikely candidates except as cases of eventual debt discounts or forgiveness packages. Because it would be extremely difficult to give the private sector fair access to credits, the transfer would probably be merely a paper exchange of limited real economic value.

As a final possibility, debt-equity swaps might be considered with respect to foreign commercial debt obligations. With a possibility of an exchange value closer to parity, special situations may exist in which such commercial debt might be converted in the absence of foreign exchange availability. The regulatory structure which has evolved around the foreign bank debt might be circumvented to allow a more expedient and economically attractive option to foreign creditors; however, this would require further study before its feasibility could be determined.

6. Mezzanine/Profit Participation

Mezzanine financing typically refers to a transaction specific, specially structured layer of financing between equity and debt which may share characteristics of each. As applied to Bolivian privatization, it could be a useful mechanism and concept as well as a means of financing. This is especially favored in the absence of adequate sources of capital for purchasing a particular SOE.

If funds were available through a bilateral or multilateral source for this purpose, they could take the form of long term low interest loans, extended on a subordinated basis to other creditors. In addition to interest and repayment of principal, mezzanine funding would include some form of participation in the equity returns of the enterprise. For example, the newly privatized company could give warrants for shares if the ultimate financial goal after several years is to list and sell equity through the Bolsa. Alternatively, a percentage of net profits when realized could be structured as part of rights to the mezzanine provider and could serve to make the economic returns approximating commercial funding rates over the term of the transaction.

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Mezzanine financing in this form would have a positive economic effect on the enterprise by mitigating the costs of financial leverage through lower interest rates, providing yet an additional source of capital to the total pool of resources and additional parties with a financial interest. This would not be a mechanism which could be utilized without other capital such as equity and should be tailored to fit specific requirements and projected cash flows. For a subordinated lender, the consequences of financial failure would probably result in a complete write-off, assuming bank and trade creditors would have senior claims.

To the extent mezzanine funding could not be created from these sources, the GOB might employ a similar mechanism. Because mezzanine would be a straightforward profit participation, it differs from a government loan which, because of the possible reversion of responsibility to the State, does not fully serve the financial goals of privatization. No loan would be extended, rather shares or assets would be sold in exchange for nominal equity payment and a percentage of net profits for a finite period of time would be owed by the company to the State. When earnings are not generated, nothing is due. When earnings are made, they are shared on a basis similar to an income tax. However, they would need to terminate after a period of time for full transition to occur.

Under this system, private sector ownership is properly motivated toward profits and financing requirements are kept to a minimum. Establishment of proper accounting, auditing and financial control is a precondition to assure that funds are not diverted before earnings are realized. Politically, it also gives the appearance of a potentially higher price being offered if the total of projected profit participation are reported as a future value sum.

7. Hybrid Mechanisms

As a synthesis of the various mechanisms identified, the concluding approach is a combination of all the structures reviewed. Sales of shares or assets, leveraged buyouts, leasing, employee purchase plans, debt equity swaps, mezzanine and profit participation are all building blocks for the structural foundation on which to build the privatization effort. They can be used together, if organized from a central point, to realize a capital structure which best suits the specific requirements of a given SOE and to acknowledge the existing capital limitations.

For example, a structure which could be employed for one of the larger SOE's might include a combination of direct asset sale for 50% to foreign investors, 15% to employees and the remaining 35% to local investors, all on slightly different terms, but with each aspect closely coordinated and implemented. Portions of this equity might be realized through swaps. Added to this could be financial leases on equipment, local debt (provided by banks or Bolsa), and finally, mezzanine funding or profit participation could fill any remaining shortfalls, large or small.

8. Bilateral and Multilateral Organizations

If privatization is expected to be successfully implemented in Bolivia, bilateral and multilateral organizations will need to dedicate substantial financial resources to the program. In addition, human resources and technical assistance is required due to the relative scarcity of experienced Bolivian managers and technicians.

Virtually all bilateral and multilateral organizations are active in Bolivia in a variety of programs in both public and private sectors. At this time there appears to be universal agreement as to the merits of privatization and the pressing need for the Bolivian government to divest itself of many of its SOE's. However, there are differences of opinion and policy as to how this process might best be achieved, and to what extent it is necessary. To best utilize scarce resources, avoid duplicating or conflicting programs, and establish a uniform path to privatization, it is recommended that a fund be created to support Bolivian privatization needs.

9. The Bolivian Privatization Fund

The Bolivian Privatization Fund would serve as a vehicle to channel multilateral and bilateral contributions to support privatization in Bolivia. It would serve as a financing source for a broad range of transactions, as well as technical assistance and payments to redundant employees. The Fund could follow a broad range of policies, concepts and structures for implementation. It would be governed by a Board of Directors representing key members of the Bolivian private sector, and members of the Privatization Commission. In terms of funding needs, a reasonable target would be $40-$50 million. The purpose of this fund would be threefold:

- To provide partial financing on a long-term basis when equity contribution and other aspects of the deal are sufficient

- To provide financing for the purchase of shares by small applicants
- To provide a source of low cost financing for difficult labor indemnity issues

VI. PROPOSED ROLE FOR USAID

A. Underlying premises for the USAID assistance

We have based our recommendations for USAID assistance in privatization on the following premises:

- There is need for a full time staff component in Bolivia to assist the Commission responsible for privatization.
- Special high-level privatization advisors should be available on an as-required basis to assist on policy issues and on individual transaction teams.
- Other short-term assistance should be provided in the various technical aspects of the privatization process, including access to an investment banking institution.
- Investment banks should be utilized on a success fee basis to assist in the process of identifying, negotiating and recommending buyers of the public corporations.
- Investment banks or other financial advisors should also be available to assist in carrying out public share offers.
- Some assistance should also be provided to the private sector associations at the national and regional levels to assist in the process, especially regarding to the public information programs.
- Given the lack of long-term capital in Bolivia to finance privatizations and the need to finance large indemnity liabilities, we suggest the setting up of a privatization fund.

These factors are an important part of the design of the proposed program for privatization.

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B. Scope of the Proposed Implementation Plan for USAID

Given the critical importance of privatization to growth and private sector development in Bolivia, we recommend that USAID continue to play a lead role in providing both financing and technical assistance to support this important process. In this regard we suggest that A.I.D. carry out the following interventions:

1. Assist Government of Bolivia to develop legal framework to implement privatization program

    - Prepare draft of required Bolivian Law.

    - Assist the GOB in designing a public relations program with the Congress and Senate to assist the passage of the law.

2. Assist Government of Bolivia to design and implement a Privatization Commission

    - Prepare definitive structure and operating manuals.

    - Assist in recruitment and training of staff.

    - Design an information gathering systems and the build a data base on the SOE's.

    - Design an initial strategy and action program

3. Provide assistance to Privatization Commission to carry out privatization program

    - Design and implement a comprehensive privatization program for both the national and regional companies.

    - Provide policy and legal recommendation on privatization

    - Target SOE's for privatization, prepare detailed privatization plans, and recommend privatization strategies and sales procedures.

    - Carry out basic industry studies and valuations of SOE's as required.

- Design and implement marketing and promotion plans for the privatization of specific SOE's including preparation of the prospectus, identification of buyers, etc.

- Assist on specific sales negotiations.

- Plan and implement a public information campaign to create a constituency supportive of privatization.

- Prepare and maintain an updated inventory of Bolivian SOE's.

4. Assist the Privatization Commission to design a financing strategy for the privatization program

   - Define the financing requirements for the privatization program both at the national and regional levels.

   - Assist local commercial banks to develop and define their role in the privatization process.

   - Help to define and develop possible innovative sources of long-term financing for the process, including the possible use of PL 480 Funds; specifically evaluate the applicability of the process used in Costa Rica to Bolivia.

   - Evaluate the possibility of the development of a Privatization Fund to provide long-term financing, financing for indemnity liabilities and for the purchase of shares by small investors.

   - Assist to develop and design mechanisms to develop capital markets in Bolivia that would assist in the privatization process.

   - Enlist technical and financial support from other international donors to further the GOB privatization efforts.

We believe the above scope will cover the most significant issues needed to be addressed by the privatization project.

C. Work Plan and Schedule

We propose that the work program for the project be divided into the five major tasks listed below:

- Task 1: Develop working arrangement with GOB and USAID officials.
- Task 2: Assist the Government of Bolivia to develop and implement law to permit privatization.
- Task 3: Assist to design and implement a Privatization Commission.
- Task 4: Provide Assistance to Privatization Commission to carry out privatization plans for target SOE's.
- Task 5: Assist the Privatization Commission to design a financing strategy for the privatization program.

The project will be carried out over a three-year period and Exhibit 1 presents a time schedule for the above five tasks.

D. Staffing Requirements for Technical Assistance Program

The staffing needs for the project will require both long- and short-term consultants. We propose the following full- and short-term consultants for a total of 318 person-months over a three-year period.

Full Time Resident Staff (3 years)	Man months
1. Project Manager	36
2. Resident Privatization Specialist	36
3. Privatization advisor to CEPB	24
4. Bolivian privatization advisor to DDC (Santa Cruz)	24
Total Full-time staff	120
Short Term Staff	
1. Senior Privatization Advisor	36
2. Marketing Specialists	24

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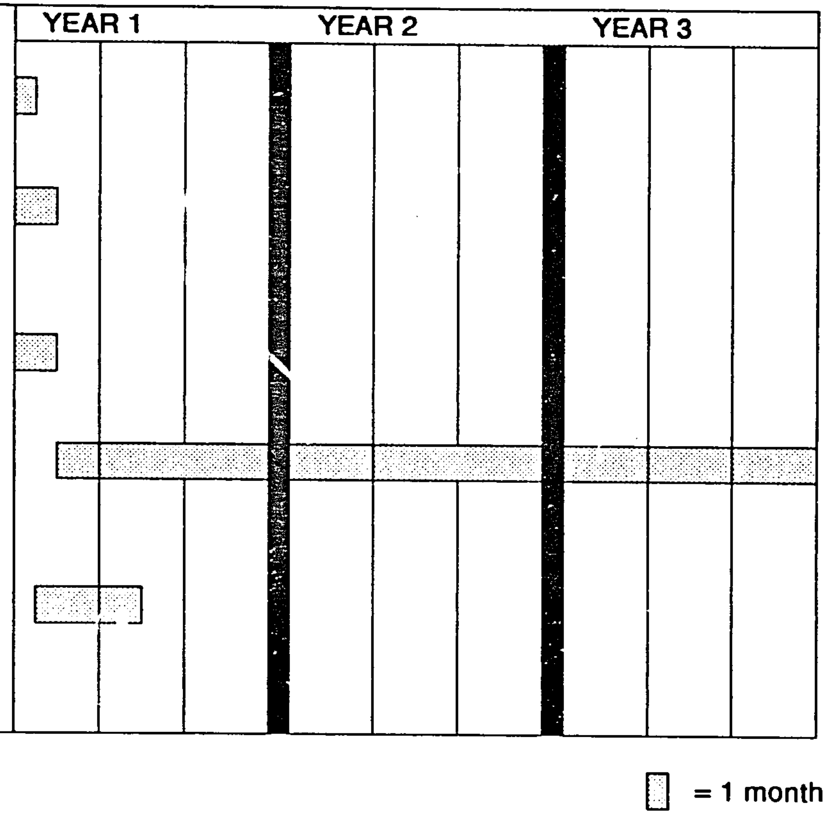
USAID/BOLIVIA
TECHNICAL ASSISTANCE FOR PRIVATIZATION
WORK PLAN AND SCHEDULE

Task No	Description
Task 1:	Develop working arrangement with GOB and USAID Officials.
Task 2:	Assist the Government of Bolivia to develop and implement law to permit privatization.
Task 3:	Assist to design and implement a Privatization Commission.
Task 4:	Provide assistance to the Privatization Commission to carry out privatization plans for target SOEs.
Task 5:	Assist the Privatization Commission to design a financing strategy for the privatization program.



3.	Industry Specialists	24
4.	Financial Specialists	24
5.	Planning/Management Specialists	36
6.	Public Relations Experts	12
7.	Share Offer Transaction Specialists	6
8.	Legal Specialist (Bolivian)	36
	Total Short-term	198
	Grand Total	**318**

In addition to the above, investment banking specialists will be made available on a success-fee basis.

The Project Manager and Resident Privatization Specialist will be attached to the Privatization Commission. We, however, recommend that in addition to these two specialists, a privatization advisor be assigned full-time for a two year period to the CEPB. His role will be to provide assistance to the CEPB, particularly in the public information area with regards to the privatization process. We also recommend that a Bolivian privatization advisor be assigned to CORDECRUZ for a two-year period to assist them in implementing their privatization since this regional corporation is likely to be selected as the pilot unit for privatizing regional companies.

We have estimated above the number and type of short-term specialists that could be needed for this project, but these are estimates which could change depending on the focus of the privatization efforts.

By funding this privatization project, A.I.D. will take a major step in advancing the privatization initiatives in Bolivia, and set a precedent for future efforts worldwide.

METHODOLOGY OF THE TECHNICAL ASSISTANCE TEAM

OBJECTIVES

To present to the Chief Executive recommendations as to how the privatization of approved enterprises may be achieved in accordance with policy objectives in such a way that risk is transferred to the private sector and the maximum proceeds are obtainable, and to see to the completion of the transactions.

In order to be in a position to make such recommendations, the Technical Assistance Team must ensure it is feasible to have all legal constraints removed, that the proposed structure of the transaction results in the shifting of risk and that the present value of the transaction is maximized.

The maximization of the value of the transaction will be achieved through attempts to solicit a large number of competitive offers from applicants who are judged able to complete the transaction on the agreed terms, and through effective negotiations with applicants. To negotiate effectively, the team must have, among other things, sufficient knowledge of the operations of the entity and the industry, and be aware of synergistic benefits which could accrue to each applicant.

THE WORK OF THE TECHNICAL ASSISTANCE TEAM

The work of the team will be to gather information about the enterprise, identify practical means to overcome barriers to completing a transaction, value the enterprise, recommend an appropriate modality, prepare and publicize a briefing document for investors, screen applications, negotiate with applicants and other parties and then present recommendations. When approval is received, the team will oversee the completion of legal work and the handover of the enterprise.

VALUATIONS

Valuations will be done on several different bases, some of which will be contracted out to appraisers. The Technical Assistance Team will have the skills to perform going-concern valuations and, in each applicable case, such a valuation will be performed.

To determine a going-concern valuation, the focus will be to determine that amount which an investor can pay Government of Bolivia for an enterprise or for a set of assets, skills and goodwill, taking into account all other costs faced by the investor including the need for rehabilitation work. The amount which an investor can spend in total will be no more than will enable an adequate rate of return to be earned from future operations. The Technical Team will therefore prepare financial projections to determine the maintainable earnings of the enterprise under various assumptions. The extent to which any of the above information is provided to applicants or reserved for negotiations will depend upon individual circumstances. There is also the possibility of damage claims if projections released by the seller are not achieved.

Usually, applicants will be asked to provide their own projections of post-privatization operations, ostensibly to give comfort to government as to the capabilities of the operator. However, these projections are also extremely useful in negotiations especially if the negotiators have gained extensive knowledge of the enterprise and its business through the preparation of internal forecasts.

COMPOSITION OF THE TECHNICAL TEAM

Manager

There will be a full-time **Manager** on site who will report to the Chief Executive.

In addition to having experience in the management of contracts, the Manager will have a broad range of experience in investment banking and transaction development, in presentations to potential investors and government officials and possess strong negotiating skills.

Privatization Adviser

The Privatization Adviser will advise the Chief Executive as to the preferred modality of the privatization of individual enterprises and present alternatives. He will set out the procedures to be followed by the Technical Team for each entity approved for privatization, which will include the generic procedures and specific procedures relating to the enterprise. He will also determine the skills needed for the completion of the tasks.

The Privatization Adviser will visit LaPaz when necessary to review the work of the teams, plan for work to be done in respect of additional enterprises and advise on the conduct of negotiations. He will hold seminars and workshops with technical staff to explain the objectives and methodology relating to the tasks.

In addition to his visits to LaPaz, which except in the case of public share offers would be for 2 week periods within every six weeks, the Privatization Adviser will be available for telephone and fax consultation whilst not in

La Paz. In the event that there is a public share offer, his presence will be needed for extended periods in La Paz, with less involvement being necessary following the first such transaction.

Ideally, the Privatization Advisor will speak Spanish fluently and have been responsible for the planning of a successful privatization program and himself have actually conceived of and been in charge of the completion of all aspects of privatization transactions including public relations and advertising. He will have extensive experience of being in an advisory and executive capacity at the highest levels of government in developing countries. His professional qualifications and experience will be in finance and he will be an experienced negotiator.

Legal Advisor

In view of the multiple privatizations being worked on by the unit at any given time, there should be a full-time commercial attorney who is qualified to practice in Bolivia to be the **Legal Advisor** to the Technical Team. His work objectives will be set by the Chief Executive.

Financial Analysts/Accountants

Since the program will be of long duration, a core of experienced financial analysts and/or qualified accountants will be needed to gather information about the enterprises and compile projections of the potential of the enterprises. These persons must all be capable of utilizing word processing and spreadsheet packages. The initial core will be recruited after the selection of the first few candidates for privatization and they will be organized into **enterprise teams** with a leader or assigned individually to deal with enterprises, depending on the complexity.

Ad-Hoc Short-Term Consultants

Part of the efforts of the enterprise teams will require **ad-hoc consultants**. These will include industry specialists, marketing experts and appraisers and will be engaged by the Chief Executive.

In the case of a large scale public share offer, there will also be a need for consultants or firms providing public relations services, advertising and publicity, auditors, outside attorneys, opinion survey pollers and persons to design computer systems and to process applications from the public.

STEPS IN A TYPICAL "ONE-ON-ONE" PRIVATIZATION TRANSACTION

The information to be made available to applicants "the briefing document" should include, if applicable:

.Summary Information

- Nature of the business
- The offer for sale
  Full description of the securities, lease or contract being offered and the criteria upon which applicants will be judged for selection
- Historical financial highlights

.History

- When and how incorporated
- Licenses, incentives or other concessions granted during its history and present applicability
- Expansion projects
- Acquisition by Government

.Business

- Products
- Markets
- Competitive forces
- Suppliers
- Method of selling
- Productive capacity and present utilization
- Condition of equipment and degree of obsolescence (relate obsolescence to competitive forces)
- Working capital adequacy of the enterprise to continue present level of operations

.Future prospects

.Management and employees

- Names, positions, academic qualifications, progress through the company (for top management)

- Number of other employees, unionization, training programs

.Information about and relationship with major shareholders' agreements

.Indebtedness (if a share sale)

- Amounts

- Repayment terms

- Interest rates

- Security

- Unremedied or unwaivered events of default and consequential rights of lenders

- Similar terms as above for long-term leases

.Other information (if a share sale)

- Unusual provision in memorandum and articles plus rights of each class of shares

- Movements in share capital (dates, nominal value and consideration and how paid)

- Contracts by which the company is bound, including loan agreements, construction agreements, service agreements, agreements with senior management staff

- Employee pension/termination arrangements and state of funding

.Index of documents available for inspection

The Directors should have readily available for inspection by potential investors:

- Memorandum and articles

- Titles to real estate

- Loan agreements (if a share sale)

- Agreements, authorizations or licenses evidencing entitlement to protection from competition, tax incentives or exchange control concessions

- Latest audited accounts

- The asset valuation reports

A "dossier" should be established for each enterprise. Each dossier should include:

.The briefing document (per above) approved by the Directors

.The approved negotiating parameters

.Applications received

.The evaluations of the applications

.A record of all negotiating sessions and other contacts with applicants including telephone conversations

.The documents referred to in the briefing document under "documents for inspection"

To get to this point, the work method should be as follows:

1) Obtain memorandum and articles or special incorporating statute. (Lawyer)

2) Obtain copies of all important agreements including loan agreements, encumbrances of assets, leases, confiscation orders, construction contracts in progress, union agreements, licenses, authorization for protection from competition including imports, authorization for incentives and special legislation applicable to the industry. (Lawyer)

3) In conjunction with the enterprise's own attorneys, summarize important or unusual features and expose to litigation in respect of any of the above for the enterprise or the business operation, distinguishing between the two. (Lawyer)

4) Obtain financial statements for the latest year. (Accountant)

5) In conjunction with senior management of the enterprise, comment on operating history, capacity utilization, problems facing the company and the industry, relevant events subsequent to the latest accounts. (Accountant)

6) Define preliminary data requirements for preparation of financial forecast. (Accountant)

7) Prepare preliminary SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) for enterprise. (enterprise Team Leader)

8) Assemble file of the above using standard index corresponding to the step numbers above. (Accountant)

9) Submit to Manager for review. (Enterprise Team Leader)

10) Follow up review points raised. (Enterprise Team Leader)

11) Submit entire file to Privatization Advisor. (Manager)

12) Review file and finalize data requirements for financial forecast. (Privatization Advisor)

13) Obtain data requirements. (Accountant, Lawyer, Industry Specialist and Valuator)

14) Submit to Manger for review. (Enterprise Team Leader)

15) Follow up review points raised. (Relevant persons)

16) Submit entire file to Privatization Advisor. (Manager)

17) Approve preparation of financial forecast. (Privatization Advisor)

18) Prepare computerized financial forecast and submit entire file and forecasting diskette to Privatization Advisor. (Manager)

19) Make final selection of recommended divestiture option and negotiating parameters. Submit to Chief Executive. (Privatization Advisor)

20) Prepare briefing document and obtain Directors' approval. (Chief Executive/Privatization Advisor)

21) Approve divestiture modality and negotiating parameters. (Directors)

22) Advertise specific entity.

23) Accumulate applications. (Enterprise Team Leader)

24) Submit applications, promptly as they arrive, to Privatization Advisor for advice as to clarifications to be requested from applicants, then reply to applicants promptly in writing. Manager kept fully briefed.

25) Negotiate with applicants. (Manager and/or Privatization Advisor, Government of Bolivia representatives)

26) Summarize final offers and recommend, to Chief Executive, applicants in order of preference. (Privatization Advisor)

APPENDIX B

BOLIVIA PRIVATIZATION STRATEGY

METHODOLOGY FOR A POPULIST SHARE OFFER

The public debate about privatization will not reach full intensity until a firm plan for the first major specific privatization is announced. Usually this is for a very large enterprise which is to be sold by a nationwide share offer.

To a large extent the opposing arguments will be focused on the enterprise itself. Strong rhetoric will be brought to bear against privatization, and allegations will be made with great force. This can be effectively neutralized.

When the overall privatization policy is approved, it should be given wide publicity. However the major public relations effort should be saved to explain the method of the first important privatization.

Where it is possible to do so, share offers should therefore be structured in a populist way by:

- Having as large a number of citizens as possible participate in the offer through publicity, the distribution system and by having a low minimum application.
- Putting in effective mechanisms to give priority allocation of shares to smaller applicants and possibly inducing them to retain their shares. In some cases measures can be taken to preclude concentrations of ownership following the primary offer.
- Giving employees better terms and opportunities than the public at large.

It would be preferable to use government's own public relations machinery (information agency) as far as possible for many reasons, but a private agency can also be effective. It appears that the Bolivian Information Service will not be able to handle this task based on discussions which we had with a specialist in La Paz.

<u>Specific enterprise public relations</u>

To begin with, it should be explained how the privatization fits into the overall policy.

How to carry the message

The elements of the planned PR program should include presentations to influential journalists, editors and columnists and to special interest groups, particularly the military, unions and other mass organizations and academics. The program should include the elements outlined below:

Briefing kits

Preparation of a briefing kit for key columnists and editors, politicians and civil servants. The kit for the politicians will include certain items not available to others, e.g., a sampling of opposition arguments of why the enterprise should not be privatized and how to refute, or better still preempt, such arguments.

"Road shows"

A team representing government, the enterprise, the attorneys and a stockbroker should hold meetings throughout the country with influential and grass roots organizations, even citizens at large, in public fora. The public relations agency should prepare a release after each meeting, preferably with photographs. Word-of-mouth is the most credible publicity and can result even if the rural meetings are poorly attended - the fact that a team took the trouble to visit will be widely known.

Employees

Employees should be addressed in logical groups at various locations, even if the union is not supportive. Every employee should personally have the opportunity to be at one such meeting. The employee share scheme can be explained in outline (pricing will be done at the last minute only, but the size of the discounts can be revealed) along with the "big picture" of the privatization effort. As long as an employee group is the first to be addressed and the meeting receives wide publicity, it is not necessary to wait until all employee groups have been addressed before carrying road shows to non-employee groups, and it is better that these be done concurrently.

The point can be made that when government's holding becomes below 50%, the pay structures applicable to government workers will no longer apply.

Enhanced opportunities for career advancement should be explained as a result of the privatization.

(Despite union opposition in other countries, typically over 90% of the employees of the enterprise being privatized apply for shares. Union leadership then runs the risk of being perceived as being out of touch with the membership or trying to stand in the way of their members receiving benefits).

Private sector groups

The first outside organization which should be addressed is the Confederación, as it is the one absolutely certain place where an expression of strong support can be obtained and used in a press release. It is important to extract and publish as many supportive statements as possible quickly, so the first groups to whom the message should be taken are those most likely to be supportive.

This support should be sought whether or not there has been public criticism of the strategy at that time. The object is to preempt criticism as far as possible and not be on the defensive.

Other important organizations from whom an expression of support would be most helpful would include academics, farmer's organizations or associations, religious leaders, cooperatives, teachers, nurses and perhaps even public fora hosted by any of these or similar groups.

The military

It will be particularly important to explain the privatization plan to the military. For example, issues such as the preservation of national security under a privatized telecommunications system must be thoroughly aired and the safeguards explained.

The unions

A meeting with leaders of the union movement as a whole (not just the unions for workers of the enterprise or the state sector, but all unions) would also be desirable. Union support can be achieved if the workers of the enterprise are given attractive concessions, and if it is suggested to the unions that they should approach employers to provide share purchase schemes in respect of the privatization.

Unions also find restriction on ownership features ideologically attractive, and assuring them of the effectiveness of such restrictions is important.

It can be claimed that if each of the members of all the unions in Bolivia applied for even a small number of shares, the country's union movement could have a major collective stake in the enterprise. Union leaders should be asked to suggest ways in which their members can be facilitated in making applications to achieve such an objective. This places them in a quandary, which will lead them to put forward ideas - then they will have given tacit support which the PR agency will put into a release.

Getting the unions to agree to distribute pamphlets and prospectuses, while not essential to the financial success of a share offer, would also be a visible demonstration of support which will deflate populist opposition. Even if at the meeting they do not explicitly agree to distribute these, large numbers of Q&A pamphlets should be left in the room.

RESOLUTION OF ISSUES

As we envisage it, the Government of Bolivia policy will require that employees will be given concessions and preferences and that shares should be sold to the largest number of citizens which is practical.

Concessions to employees

Often the percentage of the shares which it is possible to reserve for employees, given their ability to purchase on a realistic basis, is disappointing to policymakers. In rare cases it is possible to arrange for 100% ownership by employees immediately after privatization. Usually, artificial means utilized to ensure that employees own a very large share of the enterprise spell disaster; therefore, it is important to be careful in deciding which enterprises are suitable for large employee ownership.

It is desirable in a public offer to make a number of free shares available to all employees, as this will lead to a high percentage of participation by employees in the sale. This, when announced during the offer, provides impetus.

A number of heavily discounted shares (say at a 50% discount) can also be available. A limited additional discount (say, 10%) should be made available with other fully priced shares on a priority basis. (Priority means that despite any oversubscription they would still be able to get reserved shares.)

For the first round of applications the overall limit should be the same for each and every employee regardless of seniority or length of service, but the limit should be set at a level above the means of most employees. An easy payment plan should be established with interest expense being borne by the enterprise or government.

Shares not taken up in the first round of applications could then be accessed by other employees on a lightly discounted basis, thus giving more affluent employees a chance to buy proportionate to their ability whilst still preserving an egalitarian character to the scheme by virtue of the equal first round entitlement.

Employees who purchase discounted shares or shares which the easy payment plan is used, should not be permitted to sell them on the open market for, say, a 2-year period, so that selling pressure on the market does not arise. However, there can be an internal market for employees during the restricted period.

Minimum application

The minimum application amount should be set low enough to enable a large number of people to participate in the offer, yet high enough to amply cover the cost of processing the applications.

Allocation procedures

Apart from employees, applications will come from vast numbers of small applicants, larger individual savers, speculators and financial institutions, in increasing size. The prospectus will give the issuer/offeror the right to allocate shares in such a manner as would give preference to small applications from individuals.

Restrictions on ownership

The question of restrictions on ownership, i.e., a percentage maximum of ownership which persons or groups of connected persons or those acting in concert cannot exceed, is a political decision.

Many privatizations have employed the "special share" method to achieve restrictions on ownership. (Sometimes called the "golden share," sometimes called the "restricted share.") The special share can only be owned by government and is a separate share class with nominal monetary value and is redeemable on demand. The special shareholder can veto resolutions in specified matters, principally resolutions which would permit concentrations of ownership by amending, canceling or altering the effect of clauses prohibiting ownership in excess of a certain percentage.

Without this veto power, the only other way to reasonably ensure that the provisions in the memorandum and articles of association relating to concentrations cannot be effectively canceled, is to require that an impossible quorum be required at any meeting to consider such a matter and also that the vote must be unanimously in favor of such a resolution.

On balance the "special share" route is more desirable. It is even effective against renationalization, as the special share cannot initiate resolutions. This means that without special legislation, a majority of the shareholders would have to vote in favor of renationalization.

Points in favor of the "Special Share" route are:

- It provides flexibility. Unshakable clauses and articles in the incorporation documents would forever restrict the ability of the enterprise to take advantage of certain opportunities even if in the national interest (e.g., it may be desirable to allow the significant minority shareholder to have a bigger stake than at first envisaged.)

- It is more reliable. The restrictive provisions method requires the memorandum and articles to be much more complicated than those establishing the special share; thus, there is a greater chance that a loophole may be left if automatic restrictions are attempted.

The remaining issues in connection with restrictions on ownership have to do with the policing of the share register and the actions to be taken if concentrations are detected. Either the registrar and transfer agent inform the directors directly of concentrations and the directors must act, or the registrar and transfer agent would first be required (by the articles) to seek legal advice in those cases where a concentration is suspected before reporting to the directors (the latter may allay the fears of some that directors for some reason wish to treat certain parties unfairly. Thus an independent outside review may be considered desirable.) The action to be taken by the directors would culminate in selling out the shares of the offending shareholder(s) after notice had been served.

From the private sector's and investors' viewpoints, a limitation on the percentage that can be owned by a party or parties acting in concert can be seen in a positive light as a barrier to renationalization. A government bent on renationalization would have to go through the embarrassing process of passing a primary statute to override the provisions of the enterprise's memorandum and articles.

Retention incentives

Retention incentives assume greater importance in cases where ownership limits are not set for some reason (e.g., a utility might need large foreign equity participation and it would be difficult to impose limits on nationals in such circumstance).

Retention incentives are usally given to "tighten up the market" to better assure a rise in the price following the primary sale. The usual incentive is a "loyalty bonus" whereby individuals (not institutions) who hold shares for a certain period are entitled to receive bonus shares out of government's retained holding.

This clearly involves a cost to government which must be weighed against the achievement of medium term widespread ownership and what could be an excessive precaution to ensure a strong after-market price performance.

Tax waivers and other concessions

Waivers of various taxes may be sought to simplify the process of privatization and to reduce the amount of work that will need to be done by the issuing office. For example the stamp duty on shares transferred at will results in no incremental government revenue, as the recipient and payer would be government arms (if government was selling part of its shareholding) but the delay that would be caused in the issuance of the shares to hundreds of thousands of applicants might be intolerable because of the physical capacity of the stamp office to process the documents or for the issuing office to affix postage stamps as an alternative. These waivers need to be approved at an early date as there is usually a Gazetting requirement.

Need for underwriting

Even if capital is thought to be available, it would be wise to have the sale underwritten in view of the possibility that the application list will have to be held open for a relatively long period to accommodate unsophisticated, small investors. During such a period any number of types of calamities may occur which may affect the success of the sale.

Special attention must be #aid to the underwriting agreements in developing countries because the only institutions with the financial strength to underwrite are the ones whose support as applicants for shares is vital to the offer.

Costs

The following types of costs will arise and should be budgeted:

publicity
advertising
legal fees
accounting/auditing fees
underwriting
commissions
investment banker fees
lead broker fees
printing costs
issuing office expenses
computer programming
data entry
computer processing
search for multiple applications

If the share sale were to consist in whole or in part of an offer (as opposed to a new issue) there would be some conflict between the government (which owns the enterprise shares) and the enterprise itself. Both government and the enterprise's directors would have responsibility for the prospectus. Two sets of attorneys would have to be used and their roles well defined prior to the start of meetings of the prospectus committee. The responsibility for the fees with respect to any special audit and the auditors' participation in the prospectus would have to be agreed upon as would who is to bear the cost of advertising of different types.

Valuation

It is recommended that the delegation of the final determination of the price per share be left to one high level official or Cabinet member, as that decision must be taken within a very short time frame just prior to the agreement with the underwriters or to the printing of the prospectus if there are no underwriters (a day or two at most.)

Residual shares

The investors must resolve whether there is a need for government to choose not to vote any residual shares nor to dispose of any residual shares nor to dispose of any residual shares for a stated period; and then only in such a fashion as not to disrupt the market.

HANDLING OF THE SHARE OFFER

Throughout the sale, an air of competence and confidence must prevail. There should be a special logo for the sale and a "hotline" should be set up to answer queries.

ADVERTISING AND PUBLICITY

Commence image building of the enterprise

The advertising program should have two distinct aspects, raising the profile of the enterprise itself and providing information about the share offer.

The enterprise will naturally wish to use its own agency in connection with the image-building advertising, and should pay for those costs.

Opinion polls should be used liberally during all phases to determine public reaction.

Plan news stories concerning the privatization

There should be planned news stories, e.g., the announcement of the privatization, who is in charge, the launching of the employee share scheme, the underwriting, the launching of the prospectus, the opening of the list, the extent of employee applications, the attainment of the minimum offer, the last minute rush ("share-fever"), the extent of the oversubscription, the allocation basis, the despatch of the share certificates or allotment letters and refund checks. The "trick" is to let the information out slowly so that there are as many news articles as possible.

Appearances on television discussion shows and radio call-in programs by the management of the enterprise and by the person in charge of the sale also enable the public to feel that they have had an opportunity to discuss the issue.

Commence publicity on share ownership

A Question and Answer ("Q&A") sheet explaining shares and share ownership in simple language should be prepared, starting with the question "What is a share?" The Q&A sheets will be distributed in large quantities at meetings with special interest groups, through supermarket checkouts, newspaper supplements and other means.

IMPLEMENTATION

Mobilize prospectus committee, assign responsibilities and commence drafting

The committee will consist of the management of the company, the enterprise's legal advisors, the auditors (on an ad-hoc basis) and the legal advisors to the government. A detailed timetable will be agreed upon and rigorously followed up.

Carry out negotiations with financial institutions, selling agents, issuing office and registrar and transfer agent. Design systems and procedures and provide training.

In order to have shares available to persons throughout Bolivia, commercial bank branches should be used as selling agents.

Commission rates and fees must be agreed upon with the above as their duties. Training of bank staffers will be necessary, and the importance of not unduly influencing potential applicants must be stressed.

In order to avoid the receipt of cash by the issuing office, arrangements may be made with selling agents to cover each cash batch of applications with their own certified check. Banks should be requested to give special clearing facilities for the offer.

For the first large-scale privatization it is particularly important that the operation is efficient and that all announced deadlines are met.

The issuing office should have a good track record and competent people and computer resources. Since this would be one of the first if not the first of its nature in Bolivia, there will be no local experience. It may be necessary to bring in experts but it is vital that the issuing office be highly capable and every step of the process planned. As a rule of thumb, a staff complement of about 1 person per thousand applications is needed, not including data entry.

Great care must be taken to ensure the smooth and accurate processing of applications. Special programs must be written and the quality of data entry facilities and computer installation personnel evaluated carefully.

It should be clearly known at the outset whether the issuing office is to perform the post-privatization registration and transfer work, as this will have a major impact on system design.

Assemble documents for inspection

The completion of all important agreements must be monitored closely. These would include the licenses, incorporation documents and documents evidencing any waivers or concessions made by government to facilitate the privatization. They must be available for inspection by potential investors while the prospectus is "live".

Obtain Approval of final text of prospectus

The authorized person under the Commercial Code must approve the prospectus before publication. The Bolsa should also see a near final draft of the prospectus to identify any deficiencies which may cause difficulties in listing the share.

Make decision on price per share

Advisors will recommend the price of the shares just prior to the final printing of the prospectus. The pricing decision will take into account all of the factors normally used in valuing a commercial enterprise plus those factors relating to the objectives of the privatization, as agreed by government, and then the state of the market.

Publicity relating to share offer

The objective of this publicity is to encourage the public to make applications.

The advertizing should be done in all forms of the media. The government will receive a massive political boost through extensive advertizing of the shares, and this should be borne in mind if the advertizing costs are considered too high.

The **information** aspect of the advertising should publicize when prospectuses will be available and where, when the application list will be open, suspense-building (SOON...; GET READY...; GET SET....; GO!....; ONLY x DAYS LEFT...).

Print prospectus

This will be a large task considering the number of applicants being sought. We understand that there is no facility in Bolivia which can print some 200,000 50-page documents of high quality within a period of 3 days, so it may be necessary to have the printing done elsewhere.

Distribute prospectus

The mechanics of the distribution of the prospectus will have been planned. The prospectus should also be published in the newspapers. All bank branches and branches of any organization which has numerous offices should be used to assist in the distribution.

Open application list

Arrangements must be made to ensure that the government maximizes the use of funds before refunds are made to unsuccessful or partly successful applicants.

Process applications

This must be thoroughly planned. Although the list will probably be open for a longer period than would be the case in countries with highly developed capital markets, it can be expected that 75% of the funds and 40-50% of the applications numerically will be received in the last three days. This would be so whether the offer is open for one week or three weeks. Staffing levels at the issuing office should be set with this in mind.

The longer the list is open, the more risk is taken by the seller. Institutions and speculators will be anxious to determine whether the issue is going well or badly before making their decision, and will try to gain information by innovative means, made more possible if the offer is open for a longer period. However in the case of a first major offer when the target investors are unused to the concept, a relatively long period is needed.

It is vital that information be as tightly controlled as possible and that any statements be made by only one authorized person, as a carelessly worded reply can have adverse repercussions on the success of the offer.

Close list

Regardless of the response to the offer, the list should close on schedule and not be held open if the response is poor. If the list were to be held open, the credibility of the closing date of subsequent privatizations would be suspect.

Any publicity will depend upon the results, but should include comments from the political directorate with hints as to the next steps in the privatization program.

It is also important to clearly state Government's intentions as to any residual shareholding.

In the event that the offer is not wholly successful, it is important to preempt negative press reports by preparing a release before the information leaks. This release can frame the outcome in a positive way ("we were courageous and our courage has paid off"; "the biggest share subscription in the country's history"; "we are sorry that some missed the deadline but they will have a chance to buy in the after-market."

Audit for multiple applications

Computerized systems should be used for the review of applications to ensure that those who apply on several different forms are aggregated for the purpose of determining their entitlement under the allocation method announced.

Obtain approval of and announce share allocation method

Micro-computer models exist to assist in the determination of the precise allocation method to achieve the objectives of government.

Print and distribute share certificates

After sufficient time has been allowed for checks to clear, the share certificates may be printed.

This will have been planned in detail and performed by the issuing office. When the envelopes are being despatched, there should be news photographs with captions so that the public is aware that the issuing office (government) has done its job.

If arrangements can be made to have the certificates delivered to a few hundred points for retrieval by the shareholders instead of to thousands of individual addresses, this could greatly improve efficiency.

Comply with requirements for listing

The register of shareholders should be delivered to the stock exchange within the prescribed time along with the other documents needed to process the listing application.

Announce date on which trading will commence

The public should be given information as soon as possible

Trading starts
First annual General meeting

Both are media events and should be given coverage.

APPENDIX C

BOLIVIA PRIVATIZATION STRATEGY

COMMISSION FOR EVALUATION OF PUBLIC ENTERPRISES

WORKING DEFINITION OF VALUATION TERMS

Reproduction cost

Definition:

The cost of reproducing a new duplicate property on the basis of current prices with the same or closely similar materials.

Concept:

Presumes the reproduction of the entire property in mew condition as a complete unit at one time.

Example of where appropriate:

A building where character and style are essential to its existing value.

Replacement cost

Definition:

The cost of acquiring a property of equal utility.

Concept:

An estimate of the replacement cost takes into consideration how a property would be replaced with modern materials and utilizing current technology and design concepts whilst providing the same utility or productive capacity. It is usually less than (but could conceivably be higher than) reproduction cost.

Example:

A crossbar telephone exchange would be replaced with a digital exchange of the same capacity and additional features at lower cost.

Depreciation (as used by appraisers as opposed to accountants):

Definition:

A loss in value from all causes including factors of deterioration, functional and/or economic obsolescence.

Concept:

Deterioration is evidenced by wear and tear, decay, dry rot, cracks, encrustation or structural defects.

Functional obsolescence may be due to poor plant layout, inadequacy or overadequacy relating to size, style, age, mechanical capacity, etc. It is evidenced by conditions within the property. It may be further subdivided into curable or incurable obsolescence.

Economic obsolescence is caused by changes external to the property itself, including changes in optimal use, legislative enactments which restrict property rights or income-producing ability and changes in supply-demand relationships.

<u>Liquidation value</u>

The price of a property in distress will bring if exposed for sale on the open market under forced or orderly sale conditions.

<u>Orderly liquidation value</u>

Definition:

The price which a property will bring if exposed for sale on the open market with a reasonable time allowed to find a purchaser, both buyer and seller having knowledge of the uses and purposes to which it is adapted and for which it is capable of being used, the seller being compelled to sell and the buyer being willing but not compelled to buy.

<u>Forced liquidation value</u>

Definition:

The price which a property will bring if exposed for immediate sale on the open market, both buyer and seller having knowledge of the uses and purposes to which it is adapted and for which it is capable of being used, the seller being compelled to sell and the buyer bring willing but not compelled to buy.

<u>Salvage value</u>

Definition:

The amount realizable upon sale or other disposition of an asset after it is no longer useful to the owner and is to be retired from service.

Book value

Definition:

The capitalized or recorded value of an asset less the depreciation taken for financial reporting purposes.

Depreciation (accounting use)

Definition:

A charge against earnings for the use of an asset.

Original cost

Definition:

The initial capitalized cost of the item in the hands of the present owner.

Historical cost

Definition:

The initial capitalized cost of an item to its first user.

Market value (real estate)

Definition:

The highest price estimated in terms of money which the property will bring if exposed for sale in the open market, allowing a reasonable time to find a purchaser who buys with knowledge of all the uses to which it is adapted and for which it is capable of being used.

Concept:

This is the definition of the American Institute of Real Estate Appraisers. It embodies the concepts for both buyer and seller of willingness, knowledge, and equity, but without compulsion. In arriving at an estimate of market value, consideration is given, as applicable, to the summation of land value and the depreciated reproduction cost of the balance of property; to the cost of replacement with modern facilities less an allowance for depreciation from all causes; the capitalization of earnings at an appropriate risk factor over the life of the assets; adaptability to other uses; cost of conversion; and other relevant factors.

Market value

Definition:

The amount at which a property (an enterprise) would exchange between a willing buyer and a willing seller, each having a reasonable knowledge of all pertinent facts, neither being under compulsion to buy or sell and with equity to both.

Concept:

This definition is more all inclusive and generic than that given for use with real estate. In arriving at an estimate of market value, consideration is given, as applicable, to the summation of the land value and the depreciated reproduction cost of the balance of the property; to the actual sale or asking prices of comparable property; to the cost of replacement with modern facilities less an allowance for depreciation from all causes; the capitalization of earnings at an appropriate risk factor over the life of the assets; adaptability to other uses; costs of conversion; and other relevant factors.

Value in use

Definition:

The value of assets in use as an integrated part of an operating enterprise with consideration given to age, condition, utility, and the used market insofar as applicable, but without consideration to whether the earnings justify an investment in the assets at this amount.

Fair rental value

Definition:

The income, in terms of money, which a property will bring if exposed on the open market, with a reasonable time allowed to find a lessee, neither lessor nor lessee being under duress and each having knowledge of the uses and purposes for which the property is suitable.

Subjective value

Definition:

The value to the appreciative owner.

Concept:

It is the amount an item, usually personal in nature, is worth to its owner, generally for emotional reasons.

VALUATION OF A BUSINESS

the value of any business is equal to the present value of its expected future after-tax cash flows. This seemingly basic statement should be kept in mind throughout the entire valuation exercise.

Cash flows take into account spending that must be done in order for a business to achieve the expected cash flows. This is particularly applicable in the context of the privatization program in Bolivia because of the requirement for the rehabilitation of assets and additional working capital before a Sate-Owned Enterprise can attain its basic potential earning capacity, maintainable on an on-going basis under normal operating conditions ("maintainable earnings").

A multiple is applied to the maintainable earnings. Both quantitative factors and qualitative factors (positive and negative) should be taken into account in selecting the appropriate earnings multiple.

The following factors should be taken into account in selecting an earnings multiple in the context of Bolivia:

External Factors

1. Stock (when the Bolsa is trading equities) and money market conditions (e.g., interest rates).

2. Economic conditions (e.g., inflation rate, personal disposable income).

3. Political environment (e.g., stability of government).

4. Demographic factors.

5. Environmental protection requirements.

6. Existing or pending legislation or regulation applicable to the industry (e.g., price or import controls).

Industry Factors

1. Market share of companies in the industry.

2. Industrial relations climate.

3. General outlook for the industry.

4. Ease of entry by competitors.

5. Extent of leveraging.

Internal Factors

1. Trend in earnings and projected growth.
2. Tangible asset backing (used in determining the measure of going-concern risk).
3. Liquidation value (used in determining the measure of absolute risk).
4. Quality of earnings (subjectivity of accounting principles used).
5. Assessment of management and likelihood of their continuance.
6. Existence of interest in investment in the business.
7. Condition of production facilities.
8. Capacity vs. utilization vs. future product demand.
9. Dependence on customers, suppliers, management contracts, government approvals.
10. Stability of revenues (existence and term of contracts).
11. Financial stability (e.g., debt/equity; working capital) and amount of financial and operational leverage.
12. Existence of possible synergistic benefits that could be gained by a potential purchaser.

APPENDIX D

LIST OF PERSONS INTERVIEWED

Private Sector

Kenneth Lyons
Compañía Boliviana de
Energía Eléctrica, S.A.

Fernando Anker
Vice President
Citibank

Ramiro Ortega Landa
Vicepresidente Comercial
Banco Boliviano Americano

Ernesto Wende F.
President, Caja Central Ahorro y
Préstamos para la Vivienda
President, Bolsa Boliviana de Valores, S.A.

Alberto J. Noriega
President and General Manager
Occidental Boliviana

Gonzalo Bedoya
President
La Boliviana de Seguros y
Reaseguros, S.A.
American Chamber of Commerce
Asociación Boliviana de Seguros

Lic. Alfonso Ibañez Montes
Executive Vice President
La Boliviana de Seguros y Reaseguros, S.A.

Pedro Hinajosa
President
Bolser

Carlos Barrero
Gerente General
American Chamber of Commerce

Dr. Fernando Calvo Unzeta
Gerente General
Banco Nacional de Bolivia
Presidente
ASOBAN

Ing. Jorge Lonsdale
Presidente
Vascal, S.A. (Coca Cola)

Ing. Herbert Muller Costas
Director- Gerente
Muller & Asociados

Fernando Kempff B.
Gerente
Banco de Santa Cruz

Haim Duvshani
Consultor Principal
Banca y Mercados Financieros
Nathan Associates, Inc.

Martha Galicia
Consultora Principal (working with the
Bolsa de Valores)
Nathan Associates, Inc.

Rodrigo Navarro B.
Vice President, Investments
Banco Hipotecario Nacional

Rudolph Castillo
President
AESA

Carlos Calvo
Presidente
Confederación de Empresarios Privados
de Bolivia

Francisco Muñoz
Partner
Muñoz y Asociados
Bolivia

Amparo Ballivian de Zalles
Economista
Confederación de Empresarios
Privados de Bolivia

Ramiro Cabezas Masses
Gerente Financiero
International Machinery Co.

Fernando Illanes
Former Minister of Hydrocarbons
Member of the Economic Commission
Confederación de Empresarios
Privados

Lic. Manuel Arana C.
Asesor Económico
Confederación de Empresarios
Privados de Bolivia

Jorge Quiroga Luizaga
Consultant
Comisión de Evaluación de
Empresas Públicas

Zmuzk Matkovic
President
CORDECRUZ, Santa Cruz

Dr. Miguel Angel Jeeney Parador
Jefe Unidad de Empresa
Corporación Regional de Desarrollo

Ing. Goran Matkovic Vranjican
Gerente de Industria
Cámara de Industria y Comercio
Santa Cruz

Jose Luis Vélez
Cámara de Industria y
Comercio de Santa Cruz

Fernando Hinchoso
Cámara de Industria y Comercio
de Santa Cruz

Juan Carlos Achezal
Cámara de Industria y Comercio
de Santa Cruz

Edgardo Cuellar
Vice President
Banco de Santa Cruz

Comité Cívico
Santa Cruz

Ing. Justo Yepez
Director
Universidad Privada de Santa Cruz

Mario Tablada
General Manager
Banco Hipotecario
Santa Cruz

Lic. Pablo Mier Garrón
President
Federación de Empresarios
de Chuquisaca

Lic.Saul R. Leon Ortuno
Vice President
Federación de Empresarios
de Chuquisaca
Mgr. Banco de Santa Cruz
Sucre

Camilo Arenas
Team Leader
USAID/Bolivia
Strengthening Financial
Markets Project

<u>Lawyers</u>

Luis Fernando Palza Fernández
Bufetes Asociados
Palza Fernández & López de Solar

Rodolfo López del Solar Elio
Bufetes Asociados
Palza Fernández & López de Solar

<u>Bolivian Public Sector</u>

Guido Céspedes
Minister of Industry and Commerce

David Blanco Z.
Minister of Finance

Enrique García
Minister of Planning

Guillermo Fortun Suárez
Minister without Portfolio

Lic. Samuel Doria Medina A.
Economic Advisor to the President

General Div. Augusto Sánchez Valle
Gerente General
Corporación de las F.F.A.A.
Para El Desarollo Nacional (COFADENA)

Luis González Quintanilla
Ministro de Aeronáutica

Ronald McLean
Mayor of La Paz

Jorge Landíver Roca
First Vice President of the Senate (Santa Cruz)
Executive Secretary ADN

Antonio Sánchez de Lozada
Contralor General de la República

Gonzalo Sánchez de Lozada
Jefe Nacional del MNR

Eduardo Galerdo
Senador- Alvado MNR

German Quiroga
Diputado
Secretario General MNR

Fernando Barthelemy
Diputado del MNR

Ramiro Griego
Vice Presidente (MNR)

Fernando Moscoso
Secretario Finanzas (MNR)

Gonzalo Campero Paz
Presidente
Lloyd Aéreo Bolviano S.A.M.

Dr. Jorge A. Valle V.
Lloyd Aéreo Boliviano S.A.M.

Dr. Manuel Olave Sarmiento
Vice Presidente de Administración
y Finanzas
YPFB

Oscar Montauro
UDAPE

Jose Luis Lupo
UDAPE

Juan Carlos Azaval
UDAPE

Mario A. DeFranco
Resident Advisor, UDAPE
Harvard Institute for International
Development

Jose Mauro Brusa
Technical Director
SAFCO

Ing. Marcelo Montero
SAFCO

<u>International Lending Agencies/U.S. Government</u>

G. Reginald Van Ralte
Mission Director
USAID/Bolivia

David Jessee
Acting Director
Private Sector Office
USAID/Bolivia

Julio Patiño
Project Officer
USAID/Bolivia

Jaime Viscarra
Project Development
Implementation Officer

Gibbs McDaniel
Project Manager
Strengthening Financial
Markets Project

Charles D. Herrington
Second Secretary
U.S. Embassy

Bruce Warton
Press Attache
U.S. Embassy

Bernard Packer
American Institute for
Free Labor Development (AIFLD)

Alejandro Silva
Senior Operations Officer
Inter-American Investment Corporation

Dr. Francisco Raul Albergucci
Representative for Bolivia
Inter-American Development Bank

Constance Bernard
World Bank Representative
World Bank, La Paz

Juan Carlos Aguilar P.
Economist
World Bank, La Paz

Vivek V. Talvadkar
Division Manager
Corporate Finance
International Finance Corporation

Eduardo Cobas Carrato
Coordinador Internacional
UNDP/OPS

Edgar Saravia
Reordering State
Enterprises Project

132

APPENDIX E

CLASIFICACION DE LAS EMPRESAS PUBLICAS SEGUN LA DEPENDENCIA DEL GOBIERNO CENTRAL Y MUNICIPAL.

ADMINISTRACION CENTRAL.-

MINISTERIO DE FINANZAS.-

1.- Administración Autónoma de Almacenes Aduaneros (AADAA)
2.- Centro Nacional de Computación (CENACO)

MINISTERIO DE DEFENSA.-

3.- Transportes Aéreos Bolivianos (TAB)
4.- Empresa Naviera Boliviana (ENABOL)
5.- Lineas Navieras Nacionales (LINABOL)
6.- Empresa Agroindustrial La Gaiba
7.- Empresa de Explotación de Recursos Hidráulicos (ENPEZHIDRA)
8.- Corporación Gestora Proyecto Abapó-Izozou (CORGEPAI)
9.- Empresa Agropecuaria Guabirá (COFADENA)
10.- Empresa Agroindustrial Bermejo (COFADENA)
11.- Empresa Ganadera Campo 23 de marzo (COFADENA)
12.- Centro de Producción Tamborada (COFADENA)
13.- Empresa Mariscal Santa Cruz (MSC)
14.- Empresa Nacional Automotriz (COFADENA)
15.- Fábrica Boliviana de Municiones (COFADENA)
16.- Fábrica de Acido Sulfúrico (COSSMIL)
17.- Fábrica Nacional de Quinina (COSSMIL)
18.- Utiles de Roscar Bolivia (URBOL)
19.- Fabrica Nacional de Explosivos y Accesorios SAM (COFADENA)
20.- Quimica Básica Boliviana SAM (COFADENA)
21.- Fábrica Militar de Utiles de Cuero
22.- Fabrica Militar de Muebles
23.- Planta Beneficiadora de Café (COSSMIL)
24.- Unidad de Plantaciones (COSSMIL)
25.- Fábrica de Botas (COSSMIL)

MINISTERIO DE ASUNTOS CAMPESINOS Y AGROPECUARIOS.-

26.- Centro Piscicola Tiquina (TIQUINA)

MINISTERIO DE ENERGIA E HIDROCARBUROS.-

27.- Yacimientos Petroliferos Fiscales Bolivianos (YPFB)
28.- Agroquímica Latinoamericana SAM (AQUILA)
29.- Empresa Nacional de Electricidad SA (ENDE)
30.- Servicios Electricos de Tarija (SETAR)
31.- Servicios Electricos de Potosí (SEP)
32.- Empresa de Luz y Fuerza Eléctrica Cbba.SAM (ELFEC)

MINISTERIO DE INDUSTRIA Y COMERCIO.-

33.- Fabrica Nacional de Fósforos (FNF)
34.- Empresa Nacional del Arroz (ENA)

MINISTERIO DE PLANEAMIENTO Y COORDINACION
DIRECCION DE PROYECTOS ESPECIALES
La Paz - Bolivia

MINISTERIO DE INFORMACIONES.-

35.- Radio Illimani
36.- Empresa Nacional de Televisión Boliviana (ENTB)
37.- Editorial del Estado

MINISTERIO DE TRANSPORTES Y COMUNICACIONES.-

38.- Empresa Nacional de Ferrocarriles (ENFE)
39.- Empresa Nacional de Telecomunicaciones (ENTEL)

MINISTERIO DE AERONAUTICA.-

40.- Lloyd Aéreo Boliviano SAM (LAB)
41.- Administración de Aeropuertos y Servicios Auxiliares a la Navegación Aérea. (AASANA)

MINISTERIO DEL INTERIOR.-

42.- Hotel Prefectural Viscachani
43.- " " Coroico
44.- " " Chulumani
45.- " " Sorata
46.- " " Copacabana
47.- " " Urmiri
48.- " " Liriuni
49.- " " Oruro
50.- " " Potosí
51.- " " Irupana
52.- " " Tarija
53.- " " Santa Cruz
54.- " " Sucre
55.- " " Pando

MINISTERIO DE MINERIA Y METALURGIA.-

56.- Corporación Minera de Bolivia (COMIBOL)
57.- Empresa Siderurgica S.A. (SIDERSA)
58.- Fondo Nacional de Exploración Minera (FONEM)
59.- Empresa Metalurgica de Karachipampa (KARACHIPAMPA)
60.- Empresa Metalurgica de Vinto (EMV)
61.- Empresa Minera Subsidiaria de Oruro (EMSO)
62.- Empresa Minera Subsidiaria La Paz (EMLP)
63.- Empresa Minera Subsidiaria Quechisla (EMSQ)
64.- Empresa Minera Estatal del Oriente (EMEDO)
65.- Empresa Minera de Potosi (EMSP)
66.- Fundición de Bismuto (BISMUTO)
67.- Empresa Metalúrgica Oruro (EMO)
68.- Complejo Industrial de los Recursos Evaporíticos de Uyuni (CIRESU)

MINISTERIO DE PLANEAMIENTO Y COORDINACION
DIRECCION DE PROYECTOS ESPECIALES
La Paz Bolivia

134

MINISTERIO DE ASUNTOS URBANOS.-

69.- Administración Autónoma p/obras Sanitarias Potosí (AAPOS)
70.- Administración Regional de Obras Sanitarias Beni (AROS-B)
71.- Empresa Nacional de Alcantarilllado-Sucre (ENAS)
72.- Servicio Local de Acueductos y Alcantarillado-Oruro (SELA)
73.- Servicio de Agua Potable y Alcantarillado Cbba. (SEMAPA)
74.- Empresa Local de Agua Potable Alcantarillado Sucre (ELAPAS)
75.- Administración Regional de Obras Sanitarias Potosí (AROS-P)
76.- Administración Regional de Obras Sanitarias Tarija (AROS-T)

MINISTERIO DE PLANEAMIENTO Y COORDINACION.-

CORDEPAZ.-

77.- Planta Industrializadora de Leche-La Paz (PIL-LP)
78.- Fábrica Nacional de Vidrio Plano (FANVIPLAN)
79.- Industrias Metalicas (INMETAL)
80.- Frigorífico Los Andes
81.- Proyecto Agroindustrial Té Chimate (PAIT)

CORDECO.-

82.- Planta Industrializadora de Leche Cbba. (PIL-CBB)
83.- Planta de Té Chapare
84.- Fábrica Boliviana de Cerámica (FABOCE)
85.- Superintendencia General de Obras (SGO)
86.- Criadero de Truchas Piusilla
87.- Planta de Tarhui
88.- Empresa Misicuni

CORDECRUZ.-

89.- Planta Industrializadora de Leche (PIL SC)
90.- Productora de Alimentos de Maiz (PAM)
91.- Fábrica de Alimentos Balanceados Portachuelo (ALBAPOR)
92.- Ingenio Azucarero Guabirá (GUABIRA)
93.- Hilanderia Santa Cruz (HILANCRUZ)
94.- Cabaña Lechera Santos Paz (CALETSA)
95.- Proyecto Ganadero Todos Santos-Hirtner (HIRTNER)
96.- Fábrica de Cerámica Roja Roboré
97.- Fábrica de Cerámica Roja Camiri
98.- Planta Elaboradora de Quesos "San Javier" (PEQ)
99.- Fabrica de Losetas de Montero
100.- Hotel Asahi

CODETAR.-

101.- Fábrica de Alimentos Balanceados Tarija (ALBAT)
102.- Centro Vitivinicola
103.- Fábrica de Aceites de Villamontes (FAC)
104.- Fábrica de Cemento "El Puente"

MINISTERIO DE PLANEAMIENTO Y COORDINACION
DIRECCION DE PROYECTOS ESPECIALES
La Paz - Bolivia

135

105.- Fábrica de Papel de Sidras (IPTASA)
106.- Fábrica de Vidrios "Oscar Alfaro" (CRIOSAL)
107.- Industrias Agrícolas Bermejo (BERMEJO)
108.- Planta Industrializadora de Leche Tarija (PIL-TJ)
109.- Industrias Avícolas Tarija (IAT)
110.- Programa Agrícola Oleaginosas y Maiz (PAOM)
111.- Sal Yodada "La Entrerriana "
112.- Empresa Forestal Pecuaria Tariquia
113.- Empresa Tarijeña de Gas (EMTAGAS)

CORDECH.-

114.- Planta de Pollos B.B.
115.- Planta de Ají
116.- Taller de Cerámica
117.- Planta Industrializadora de Leche (PIL-SR)
118.- Fábrica Nacional de Cemento (FANCESA)

CORDEOR.-

119.- Fábrica de Objetos de Peltre (PELTRE)
120.- Fábrica de Cadenas (CASAM)
121.- Fábrica de Cerámica Roja
122.- Terminal de Buses
123.- Hotel Terminal
124.- Centro Agropecuario de Desarrollo del Altiplano (CADEA)

CORDEPO.-

125.- Línea Aérea Imperial SAM (LAI)

CORDEBENI.-

126.- Empresa Ganadera (PEMES)
127.- Aserradero Chimanes San Borja
128.- Fábrica de Cerámica Roja Trinidad
129.- Empresa Nacional de la Castaña (ENACA)
130.- Planta de Silos Sachojeré
131.- Empresa Ganadera FOMBENI-COTESU
132.- Planta Laminadora de Goma (LAMIGOSA)
133.- Empresa Productora de Semilla Mejorada (EPSM)

CORDEPANDO.-

134.- Planta Beneficiadora de Castaña (BECAST)
135.- Fábrica de Cerámica Roja Cobija
136.- Servicio de Energía Eléctrica Cobija (SEC)
137.- Agua Potable Cobija (APC)
138.- Cooperativa Telefónica Cobija (COTECO)

MINISTERIO DE PLANEAMIENTO Y COORDINACION
DIRECCION DE PROYECTOS ESPECIALES
La Paz - Bolivia

136

(1)

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

	NOMBRE	SIGLA	CAT	UBICACION	INICIO ACTIVIDAD	BASE LEGAL	SECTOR	SUBAREA
1	Administración Autónoma de Almacenes Aduaneros	AADAA	1	La Paz	1965	D 7230-DS 8866-9572-10020-DL 10460	Servicios	Aduanas
2	Serv Autónomo Munpal de Agua Pot y Alcantarillado	SAMAPA	1	La Paz	1966	DL 7597-DL 10460-L.10/1/85-DS.21021	Básicos	Agua/Alcant.
3	Servicio de Agua Potable y Alcantarillado	SEMAPA	1	Cochabamba		DS.8048-DS.10597	Basicos	Agua/Alcant.
4	Empresa Nacional de Television Boliviana	ENTB	1	La Paz	1965	DI 7454-DS 8395DL.14642	Comunicac	Difusión
5	Empresa Nacional de Telecomunicaciones	ENTEL	1	La Paz	1964	DS 6909	Comunicac	Telefon/Telegrafia
6	Radio Illimani	ILLIMANI	1	La Paz			Comunicac	Difusión
7	Yacimientos Petrolíferos Fiscales Bolivianos	YPFB	1	La Paz	1936	DL 21/12/36-DL 10170	Hidrocarbu	Hidrocarburos
8	Empresa Nacional de Electricidad S.A.	ENDE	1	Cochabamba	1962	DS.5999-DS.7591	Energia	Electricidad
9	Corporacion Minera de Bolivia	COMIBOL	1	La Paz			Mineria	Mineria
10	Empresa Minera Subsidiaria La Paz	EMLP	1	La Paz			Mineria	Mineria
11	Empresa Metalúrgica de Vinto	EMV	1	Oruro		DS.3196-DS 4458-DL.7474	Mineria	Metalurgia
12	Empresa Minera Subsidiaria Quechisla	EMSQ	1	Potosi			Mineria	Mineria
13	Empresa Minera Estatal del Oriente	EMEDO	1	Santa Cruz			Mineria	Mineria
14	Empresa Siderúrgica Boliviana	SIDERSA	1	Santa Cruz			Mineria	Metalúrgia
15	Fundición de Bismuto	BISMUTO	1	Potosi			Mineria	Metalurgia
16	Complejo Metalúrgico Karachipampa	CMK	1	Potosi			Mineria	Metalurgia
17	Empresa Metalúrgica Oruro	EMO	1	Oruro			Mineria	Metalurgia
18	Empresa Minera Subsidiaria Potosi	EMSP	1	Potosi			Mineria	Mineria
19	Empresa Minera Subsidiaria Oruro	EMSO	1	Oruro			Mineria	Mineria
20	Adm Autónoma de Serv Aux a la Navegación Aérea	AASANA	1	La Paz	1967	DS 8019-L 412	Servicios	Control
21	Empresa Nacional de Ferrocarriles	ENFE	1	La Paz	1962	DS.6909	Transporte	Terrestres
22	Fondo de Exploración Minera	FONEM	1	La Paz	1977	DL 14549	Mineria	Capt Recursos/cred.
23	Compl.Ind.de Recursos Evaporíticos Salar de Uyuni	CIRESU	1	Potosi			Mineria	Mineria

CAT 1= EMPRESAS NACIONALES
CAT 2= EMPRESAS DE SERVICIOS
CAT 3= EMPRESAS DEPARTAMENTALES
CAT 4= EMPRESAS MIXTAS

	NOMBRE	SIGLA	CAT	UBICACION	INICIO ACTIVIDAD	BASE LEGAL	SECTOR	SUBAREA
24	Servicio de Energía Eléctrica de Cobija	SEC	2	Pando		DS 6914-DL.10460	Básicos	Energia
25	Empresa Nacional de Alcantarillado	ENAS	2	Sucre			Basicos	Agua/alcant.
26	Administración Regional de Obras Sanitarias Tarija	AROS-T	2	Tarija		RS 152335	Básicos	Agua/Alcant.
27	Administración Regional de Obras Sanitarias Potosi	AROS-P	2	Potosi	1972		Básicos	Agua/Alcant.
28	Administración Regional de Obras Sanitarias Beni	AROS-B	2	Beni	1975		Básicos	Agua/Alcant.
29	Servicio Local de Acueductos y Alcantarillado	SELA	2	Oruro	1964		Basicos	Agua/Alcant.
30	Servicio Eléctrico de Potosi	SEP	2	Potosi		DS 12562	Básicos	Energia
31	Cooperativa de Servicios Eléctricos Trinidad *	COSERELEC	2	Beni			Basicos	Energia
32	Empresa Misicuni	MISICUNI	2	Cochabamba	1976	DS 10221	Basicos	Agua
33	Administración Autónoma para Obras Sanitarias	AAPOS	2	Potosi		DS.13929	Basicos	Agua/Alcant
34	Servicio Eléctrico de Tarija S A	SETAR	2	Tarija			Básicos	Energia
35	Empresa Local de Agua Potable/Alcantarillado	ELAPAS	2	Chuquisaca	1965	DS.7309.DS 10601	Basicos	Agua/Alcant
36	Cooperativa de Telefonos Automaticos Trinidad *	COTEAUTRI	2	Beni			Comunicac	Telefonia
37	Cooperativa de Telefonos de Cobija	COTECO	2	Pando	1976		Comunicac	Telefonia
38	Editorial del Estado	EDEST	2	La Paz		DS 12204-DS 21060	Comunicac	Imprenta
39	Planta Industrializadora de Leche	PIL-SC	2	Santa Cruz		CONVENIO 7/02/50-DS.21060	Industria	Agroindustria
40	Planta Industrializadora de Leche	PIL-TJA	2	Tarija	1974	DS.12204-DS 21060	Industria	Agroindustria
41	Planta Industrializadora de Leche	PIL-SUCRE	2	Chuquisaca	1975	DS 12204-DS 21060	Industria	Agroindustria

APPENDIX F

(3)

	NOMBRE	SIGLA	CAT	UBICACION	INICIO ACTIVIDAD	BASE LEGAL	SECTOR	SUBAREA
42	Planta Industrializadora de Leche	PIL-LP	2	La Paz	1961	DS.9427-DL 11379	Industria	Agroindustria
43	Planta Industrializadora de Leche	PIL-CBB	2	Cochabamba	1955	RS.151164-DS.21060	Industria	Agroindustria
44	Empresa Mpal de Asfaltado y Drenajes Pluviales	EMADP	2	Santa Cruz			Servicios	Mantenimiento
45	Hotel Prefectural Liriuni	HPREFLIRIU	2	Cochabamba			Servicios	Turismo Receptivo
46	Hotel Prefectural Chulumani	HPREFCHULU	2	La Paz		DS.19460 DS.21060	Servicios	Turismo Receptivo
47	Hotel Prefectural Sorata	HPREFSORAT	2	La Paz			Servicios	Turismo Receptivo
48	Hotel Prefectural Coroico	HPREFCOROI	2	La Paz			Servicios	Turismo Receptivo
49	Hotel Prefectural Sucre	HPREFSUCRE	2	Chuquisaca		DS.16174 9/2/79	Servicios	Turismo Receptivo
50	Sistema de Agua Potable Cobija	APC	2	Pando			Servicios	Agua/Alcant.
51	Hotel Prefectural Urmiri	HPREFURMIR	2	La Paz		DS.19460 DS.21060	Servicios	Turismo Receptivo
52	Hotel Prefectural Pando	HPREFPANDO	2	Pando		DS.19460 DS.21060	Servicios	Turismo Receptivo
53	Hotel Prefectural Viscachani	HPREFVISCA	2	La Paz			Servicios	Turismo Receptivo
54	Hotel Prefectural Tarija	HPREFTARIJA	2	Tarija			Servicios	Turismo Receptivo
55	Hotel Prefectural Copacabana	HPREFCOPAC	2	La Paz			Servicios	Turismo Receptivo
56	Hotel Prefectural Santa Cruz	HPREFSC	2	Santa Cruz			Servicios	Turismo Receptivo
57	Hotel Prefectural Oruro	HPREFORURO	2	Oruro		DS.21060	Servicios	Turismo Receptivo
58	Hotel Prefectural Irupana	HPREFIRUPA	2	La Paz			Servicios	Turismo Receptivo
59	Hotel Prefectural Potosi	HPREFPOTOS	2	Potosi		DS.19460 DS.21060	Servicios	Turismo Receptivo
60	Ex-Superintendecia General de Obras	SGO	2	Cochabamba				Mantenimiento
61	Centro Nacional de Computación	CENACO	2	La Paz	1970			Informatica
62	Empresa Municipal de Transporte	EMTUT	2	Tarija	1985		Transporte	Locomocion
63	Empresa Municipal de Transporte Masivo	TMC	2	Cochabamba	1985	RS.202088,DS.21060	Transporte	Locomocion
64	Empresa de Transporte Automotor	EMTAP	2	Potosi	1985		Transporte	Locomoción
65	Empresa Municipal de Transporte	EMTUC	2	Santa Cruz			Transporte	Locomoción
66	Servicio Municipal de Transporte	SMTCh	2	Chuquisaca			Transporte	Locomoción
67	Empresa Municipal de Transporte	EMTO	2	Oruro	1986		Transporte	Locomoción
68	Terminal de Buses Oruro	TERMBUSES	2	Oruro			Servicios	Locomoción
69	Empresa Municipal de Transporte	EMTA-LP	2	La Paz	1985	DS 19460,DS21060	Transporte	Locomocion
70	Empresa Naviera Boliviana	ENABOL	2	La Paz			Transporte	Locomoción
71	Empresa de Explotación de Recursos Hidráulicos	EMPEXHIDRA	3	Cochabamba			Básicos	Hidráulica
72	Empresa Mariscal Santa Cruz	MSC	3	Santa Cruz	1984		Agroindustr	Pecuaria
73	Hotel Terminal	TERMHOTEL	3	Oruro			Servicios	Turismo
74	Matadero Municipal	MATADERO	3	Tarija			Agroindustr	ALIMENTICIA
75	Empresa Productora de Semilla Mejorada	EPSM	3	Beni			Agroindustr	Agricultura
76	Centro Vitivinicola	C.VIT	3	Tarija			Agroindustr	Vitivinicola
77	Centro de Producción Tamborada	TAMBORADA	3	Cochabamba			Agroindustr	ALIMENTICIA
78	Frigorifico Los Andes	LOS ANDES	3	La Paz		CONVENIO 16/12/71-DS.21060	Servicios	ALIMENTICIA
79	Plante de Te Chapare	CHAPARE	3	Cochabamba			Agroindustr	ALIMENTICIA
80	Criadero de Truchas Piusilla	PIUSILLA	3	Cochabamba		RS.167494	Agroindustr	ALIMENTOS
81	Empresa Agropecuaria Guabirá	EAG	3	Santa Cruz	1973	DS 10818-DS.21060	Agroindustr	ALIMENTICIA
82	Empresa Agroindustrial La Gaiba	LA GAIBA	3	Santa Cruz		DS.14443	Agroindustr	Pecuaria
83	Planta Industrializadora de Te Chimate	CHIMATE	3	La Paz			Agroindustr	ALIMENTICIA
84	Empresa Forestal Pecuaria Tariquia	TARIQUIA	3	Tarija		R CBF 62/81-DS 21060	Agroindustr	Forestal
85	Empresa Ganadera Remes	REMES	3	Beni			Agroindustr	ALIMENTICIA
86	Empresa Ganadera Cabobe	CABOBE	3	Beni	1945		Agroindustr	ALIMENTICIA
87	Productos Alimenticios de Maiz-Mairana	PAM	3	Santa Cruz			Agroindustr	ALIMENTICIA
88	Empresa Nacional de la Castaña	ENACA	3	BENI,Riberalta	1967		Agroindustr	ALIMENTICIA

89	Fábrica Nacional de Quinina	FANACUINA	3	Oruro	1967		1967	Agroindustr	MEDICINAL
90	Fábrica de Aceite Comestible Villamontes	FAC-VILLA	3	Tarija				Agroindustr	ALIMENTICIA
91	Programa Agrícola de Oleaginosas y Maíz	PAOM	3	Tarija				Agroindustr	ALIMENTICIA
92	Fábrica de Alimentos Balanceados Tarija	ALBAT	3	Tarija				Agroindustr	ALIMENTICIA
93	Empresa Agroindustrial Bermejo	EMABE	3	Tarija	1973	RS.167694-197752		Agroindustr	Agricultura
94	Industrias Agrícolas de Bermejo	IAB	3	Tarija	1963			Agroindustr	ALIMENTICIA
95	Proyecto Ganadero Todos Santos-Hirtner	HIRTNER	3	Santa Cruz	1966			Agroindustr	ALIMENTICIA
96	Ingenio Azucarero Guabirá	GUABIRA	3	Santa Cruz	1953	DS.3459		Agroindustr	ALIMENTICIA
97	Empresa Nacional del Arroz	ENA	3	Santa Cruz	1972	RS 131802		Agroindustr	ALIMENTICIA
98	Planta de Ají	AJI	3	Chuquisaca				Agroindustr	ALIMENTICIA
99	Empresa Ganadera Campo 23 de Marzo	23 MARZO	3	Beni	1974	D.S.11393		Agroindustr	ALIMENTICIA
100	Planta de Silos Sachojere	SACHOJERE	3	Beni				Agroindustr	ALIMENTOS
101	Fábrica de Alimentos Balanceados Portachuelo	ALBAPOR	3	Santa Cruz				Agroindustr	ALIMENTICIA
102	Aserradero Chimanes San Borja	CHIMANES	3	Beni				Agroindustr	MADERERA
103	Cabaña Lechera Todos Santos-Paz	CALETSA	3	Santa Cruz		DS 11393		Agroindustr	ALIMENTICIA
104	Planta de Pollos BB	POLLOS-BB	3	Chuquisaca		DS.6460-DS.163156/5		Agroindustr	ALIMENTICIA
105	Planta Beneficiadora de Castaña	BECAST	3	Pando		CONVENIO 30/11/73		Agroindustr	ALIMENTICIA
106	Planta de Tarhui	TARHUI	3	Cochabamba				Agroindustr	ALIMENTICIA
107	Corporación Gestora del Proyecto Abapó Izozog	ABAPO	3	Santa Cruz				Agroindustr	Agricultura
108	Empresa NAcional Automotriz (R)	ENAUTO	3	Cochabamba	1979			Industria	METALMECANICA
109	Fábrica Nacional de Acido Sulfúrico	FNAS	3	Oruro		DS.10307-DS.21060		Industria	QUIMICA
110	Fabrica de Tubos de Cemento Tarija	FTCT	3	Tarija				Industria	MAT.CONSTRUCCION
111	Fábrica de Cadenas (R)	CASAM	3	Oruro		ESC PUB 142-DS.21060		Industria	METALMECANICA
112	Fábrica de Cerámica Roja Cobija	CR COBIJA	3	Pando				Industria	MAT.CONSTRUCCION
113	Fábrica de Cerámica Roja Roboré	CR ROBORE	3	Santa Cruz				Industria	Mat Construccion
114	Fábrica de Tubos y Losetas Santa Cruz	TyLSC	3	Santa Cruz				Industria	MAT.CONSTRUCCION
115	Fábrica Metalmecánica de Utiles de Roscar	URBOL	3	La Paz				Industria	METALMECANICA
116	FABRICA MILITAR DE UTILES DE CUERO	FAMILCUERO	3	La Paz	1973			Industria	CUERO
117	Fábrica de Tubos de Cemento Cochabamba	FTCC	3	Cochabamba				Industria	MAT.CONSTRUCCION
118	Industrias Avícolas de Tarija	IAT	3	Tarija				Industria	ALIMENTICIA
119	Chancadora Municipal	CHANCADORA	3	Santa Cruz		DS.11002-DS 21060		Industria	Mat Constr

	NOMBRE	SIGLA	CAT	UBICACION	INICIO ACTIVIDAD	BASE LEGAL		SECTOR	SUBAREA
120	Fabrica de Tubos de Cemento Oruro	FTCO	3	Oruro				Industria	Mat Construcción
121	Fabrica de Objetos de Peltre	PELTRE	3	Oruro				Industria	Prod de Artesan
122	Industrias Metalicas	INMETAL	3	La Paz	1973			Industria	METALMECANICA
123	Fábrica Municipal de Tubos y Losetas	FAMTUL	3	La Paz				Industria	Mat Construccion
124	Planta Elaboradora de Quesos San Javier	SAN JAVIER	3	Santa Cruz				Industria	ALIMENTICIA
125	Fábrica Nacional de Vidrio Plano	FANVIPLAN	3	La Paz	1973	DS 16832		Industria	Mat Construccion
126	Sal Yodada La Entrerriana	ENTRERRIANA	3	Tarija				Industria	Alimenticia
127	Fábrica de Cerámica Roja Camiri	CR CAMIRI	3	Santa Cruz				Industria	Mat Construcción
128	Taller de Cerámica	CERAMICA	3	Chuquisaca				Industria	ARTESANIA
129	Fabrica de Vidrios Oscar Alfaro	CRIOSAL	3	Tarija				Industria	Mat Construccion
130	Fabrica de Cerámica Roja Oruro	CR ORURO	3	Oruro				Industria	Mat Construcción
131	Fabrica de Cemento El Puente	EL PUENTE	3	Tarija				Industria	Mat Construccion
132	Fabrica de Ceramica Roja Trinidad	CR TRINIDAD	3	Beni				Industria	Mat Construccion
133	Industrias de Papel de Sidras Tarija	IPTASA	3	Tarija				Industria	QUIMICA
134	FABRICA DE LOSETAS MONTERO	LOS MONTERO	3	Santa Cruz				Industria	Mat Construccion
135	Fabrica Boliviana de Cerámica	FABOCE	3	Cochabamba	1972	DS.10807 16/06/72		Industria	Mat Construccion
136	FABRICA MILITAR DE MUEBLES	FAMILMUEBL	3	La Paz				Industria	METALMECANICA
137	Fabrica Boliviana de Municiones	MUNICION	3	La Paz	1979	DS 16359		Industria	Armamentos

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

	NOMBRE	SIGLA	CAT	UBICACION	INICIO ACTIVIDAD	BASE LEGAL	SECTOR	SUBAREA
138	Empresa Tarijeña del Gas	EMTAGAS	3	Tarija	1988	RS.193528,DS.22048	Servicios	Distr.Gas
139	Línea Aérea Imperial	LAI	3	Potosi	1979	RS.193528,RD.33/79	Transporte	Aéreo
140	Empresa Intermunicipal de Transporte de Carga	EITC	3	Cochabamba			Transporte	Terrestre
141	Hotel Asahi	ASAHI	3	Santa Cruz		DS.21060	Industria	Turismo
142	Planta Beneficiadora de Café	BECAFE	3	La Paz			Agroindustr	Agricultura
143	Unidad de Plantaciones	UNIPLANTAC	3	La Paz			Agroindustr	Forestal
144	Centro Pecuario Tiquina	TIQUINA	3	La Paz			Agroindustr	Piscicola
145	Centro Agropecuario de Desarrollo del Altiplano	CADEA	3	Oruro			Agroindustr	Agropecuario
146	Fabrica de Botas de Cuero	BOCUERO	3	La Paz			Industria	
147	Empresa de Luz y Fuerza Eléctrica Cochabamba	ELFEC	4	Cochabamba	1908	RG.06/06/08	Servicios	Energia
148	Fábrica Nacional de Fósforos	FNF	4	La Paz	1954		Industria	MADERERA
149	Fábrica Nacional de Cemento S.A.	FANCESA	4	Chuquisaca	1959	DS.5135-DS21060	Industria	MAT.CONSTRUCCION
150	Hilandería Santa Cruz	HILANCRUZ	4	Santa Cruz			Industria	TEXTIL
151	Química Básica Boliviana	QUIMBABOL	4	Potosi	1975	RS 174835	Industria	MINERA
152	Agroquímica Latinoamericana	AQUILA	4	La Paz		RS.181078	Industria	Quimica
153	Planta Laminadora de Goma	LAMIGOSA	4	Beni	1968		Industria	Prod.Goma
154	Fabrica Nacional de Explosivos y Accesorios	FANEXA	4	Cochabamba	1972	DS.10511-DS.15565	Industria	ARMAMENTO
155	Lloyd Aéreo Boliviano	LAB	4	Cochabamba	1925	EP.30/11/25	Transporte	Aereo
156	Transportes Aéreos Bolivianos	TAB	4	La Paz	1977	DS 15091	Transporte	Aereo
157	Línea Naviera Boliviana	LINABOL	4	La Paz		DS.16300 27/3/83	Transporte	Naval

2

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

RUBRO	PRODUCTO o SERVICIO	TIPO DE PRODUCCION	No. EM-PLEADO	SALARIO OMEDIO 19	TIPO DE AD-MINISTRACION	OPERA CION	REC. TGN	DE TGN 1987	DE TGN 1988	DE TGN 1989	MONTO RECIBIDO DEL TGN 3 AÑOS
Aduanas			603		Descentralizada	Si	No				0.00
Agua/Alcantarill.	Agua Potable		684	352.07	Municipal/MAU	Si	No		0.00		0.00
Agua/Alcantarill.	Agua Potable		348	412.26	MAU/Municipal	Si	No				0.00
Televisión			89		Descentralizada	Si	Si				0.00
Comunicación			1,670	937.00	Descentralizada	Si	No	0.00	0.00		0.00
Radio difusión			33		Descentralizada	Si	No				0.00
Hidrocarburos	Combustibles y Lubricantes	INDUSTRIAL	5,517	231.52	Descentralizada	Si	No	0.00	0.00	0.00	0.00
Generación	Energía Eléctrica	PRIMARIA	447	869.45	Descentralizada	Si	Si	614,309.00	22,282,015.00		22,896,324.00
Extracción		INDUSTRIAL	6,863	284.71	Descentralizada	Si	SI		18,003,116.00		18,003,116.00
Extracción		PRIMARIA	s/d		Descentralizada	Si	SI				0.00
Fundición	ESTAÑO	INDUSTRIAL	592	480.18	Descentralizada	Si	SI		11,557,865.00		11,557,865.00
Extraccion		PRIMARIA	s/d		Descentralizada	Si	SI				0.00
Extracción		PRIMARIA	s/d		Descentralizada	Si	SI				0.00
Fundición	HIERRO	INDUSTRIAL	s/d		Descentralizada	Si	SI				0.00
Fundición	BISMUTO	INDUSTRIAL	s/d		Descentralizada	Si					0.00
Fundición	Pb/Ag/Sn.	INDUSTRIAL	s/d		Descentralizada	NO	SI				0.00
Fundición	ESTAÑO	INDUSTRIAL	s/d		Descentralizada	Si	NO				0.00
Extracción		PRIMARIA	s/d		Descentralizada	SI	SI				0.00
Extracción		PRIMARIA	s/d		Descentralizada	SI	SI				0.00
Apoyo Aéreo			1,333	400.10	Descentralizada	Si	NO				0.00
Ferrov. P/C.	Transporte		7,100	138.57	Descentralizada	SI	NO		625,195.00		625,195.00
Exploración	Financiamientos		117		Descentralizada	Si	Si				0.00
Extracción					Descentralizada	Si					
			25,396	4,106				614,309	52,468,191	0	53,082,500

RUBRO	PRODUCTO o SERVICIO	TIPO DE PRODUCCION	No. EM-PLEADO	SALARIO OMEDIO 19	TIPO DE AD-MINISTRACION	OPERA CION	REC. TGN	DE TGN 1987	DE TGN 1988	DE TGN 1989	MONTO RECIBIDO DEL TGN
Dist.Electrica			18		Municipal	Si	No				0.00
Agua/Alcant.			172		Descentralizada	Si	Si				0.00
Agua/Alcant.			s/d		Regional	Si	No				0.00
Agua/Alcant.			68		Regional	Si	No				0.00
Agua/Alcant.			39		Descentralizada	Si	No				0.00
Agua/alcant.			122	514.71	Descentralizada	SI	NO				0.00
Dist Electrica			s/d		Municipal	Si	No				0.00
Dist Electrica			s/d		Municipal	Si	No				0.00
	Agua		8		Descentralizada	SI	SI				0.00
Agua/Alcant.			72		Descentralizada	Si	NO				0.00
Dist.Electrica			s/d		Municipal	Si	No				0.00
Agua/Alcant.			173	331.22	Municipal	Si	Si				0.00
Telefonia			s/d		Cooperativa	Si	No	0.00	0		0.00
Telefonia			6		Municipal	Si	No				0.00
Imprenta			s/d		Descentralizada	Si					0.00
Lácteos	LECHE/DERIVADOS	INDUSTRIAL	170	544.41	CBF/CORDECRUZ	SI	NO		0.00		0.00
Lácteos	LECHE/DERIVADOS	INDUSTRIAL	29	706.86	CBF/CODETAR	SI	NO		0.00		0.00
Lácteos	LECHE/DERIVADOS	INDUSTRIAL	43	388.95	CBF/CORDECH	SI	NO		0.00		0.00

141

Lácteos	LECHE/DERIVADOS	INDUSTRIAL	201	554.22	CBF/CORDEPAZ	SI	NO		0.00		0.00
Lácteos	LECHE/DERIVADOS	INDUSTRIAL	187	615.30	CBF/CORDECO	SI	NO		0.00		0.00
Drenaje			s/d		Municipal	Si					0.00
Hotel			s/d		Prefectural						0.00
Hotel			s/d		Prefectural	Si					0.00
Hotel			s/d		Prefectural	Si					0.00
Hotel			s/d		Prefectural	Si					0.00
Hotel			s/d		Prefectural						0.00
Agua/Alcant.			13		CORDEPANDO	Si					0.00
Hotel			s/d		Prefectural	Si					0.00
Hotel			s/d		Prefectural						0.00
Hotel			s/d		Prefectural	Si					0.00
Hotel			s/d		Prefectural						0.00
Hotel			s/d		Prefectural	Si					0.00
Hotel			s/d		Prefectural						0.00
Hotel			s/d		Prefectural	Si					0.00
Hotel			s/d		Prefectural	Si					0.00
Hotel			s/d		Prefectural						0.00
Caminos			s/d		Regional						0.00
Procesam.Datos			109		DESCENTRALIZADA	Si	Si				0.00
Servicio Público	Transporte		6		Municipal	Si	No				0.00
Servicio Público	Transporte		s/d		Municipal	Si	No				0.00
Servicio Público	Transporte		38		Municipal	Si	No				0.00
Servicio Publico	Transporte		s/d		Municipal	Si	No				0.00
Servicio Público	Transporte		25		Municipal	Si	No				0.00
Servicio Público	Transporte		64	299.83	Municipal	Si	No				0.00
Servicio Público	Transporte		32	430.31	Regional	Si					0.00
Servicio Publico	Transporte		203		Municipal	Si	No	0.00			0.00
Naviero			11		DESCENTRALIZADA	Si	NO				0.00
			379	730.14		0.00		0.00	0.00	0.00	0.00
RUBRO	PRODUCTO o SERVICIO	TIPO DE PRODUCCION	No. EM-PLEADO	SALARIO 'OMEDIO 19	TIPO DE AD-MINISTRACION	OPERA CION	REC. TGN	DE TGN 1987	DE TGN 1988		MONTO RECIBIDO DEL TGN
PERF.POZOS			11		COFADENA/MINDEF	Si	NO				0.00
Ganadería			15		COFADENA	No					0.00
Hotelería			33	461.18	CORDEOR	Si					0.00
Faeneado			53	316.19	Municipal	Si					0.00
Benef.Sem.	Semilla mejorada		s/d		Cordebeni	Si					0.00
VID/DERIVADOS	UVA/VINO/SINGANI	INDUSTRIAL	s/d		CODETAR	Si	NO				0.00
LACTEOS	LECHE/DERIVADOS	INDUSTRIAL	s/d		COFADENA	SI	SI				0.00
Refrigeración	CARNES	INDUSTRIAL	s/d		CBF/CORDEPAZ	No					0.00
INFUSIONES	TE	INDUSTRIAL	20		CORDECO	SI	NO				0.00
PISCICOLA	TRUCHAS	PRIMARIA	s/d		CORDECO	SI	NO				0.00
Ganadería	CAÑA DE AZUCAR	PRIMARIA	18		COFADENA	SI	NO				0.00
Ganadería			s/d				NO				0.00
INFUSIONES	TE	INDUSTRIAL	39	435.45	CBF/CORDEPAZ	SI	NO		0.00		0.00
Maderera	Madera	PRIMARIA	s/d		CODETAR	SI	NO				0.00
GANADERIA	GANADO VACUNO	PRIMARIA	s/d		CORDEBENI		NO				0.00
GANADERIA	GANADO VACUNO	PRIMARIA	24		CBF/CORDEBENI	SI	NO	0.00	0.00		0.00
CEREALES	MAIZ/DERIVADOS	INDUSTRIAL	39		CORDECRUZ	SI	NO				0.00
Benef.Castaña	CASTAÑA	PRIMARIA	460		CBF/CORDEBENI	SI	NO				0.00

142

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

RUBRO	PRODUCTO o SERVICIO	TIPO DE PRODUCCION	No. EMPLEADOS	SALARIO PROMEDIO 19	TIPO DE ADMINISTRACION	OPERACION	REC. TGN	DE TGN 1987	DE TGN 1988		MONTO RECIBIDO DEL TGN
QUININA	SULFATO DE QUININA	INDUSTRIAL	s/d		COSSMIL	SI	NO				0.00
OLEAGINOSAS	ACEITE,TORTA SOYA,MARGARIN	INDUSTRIAL	106	631.92	CBF/CODETAR	SI	NO		0.00		0.00
CEREALES	MAIZ/OLEAGINOSAS	PRIMARIA	s/d		CODETAR	SI	NO				0.00
Alim.Balanc.	ALIM.BALANCEADOS	INDUSTRIAL	21	812.76	CODETAR	SI	NO		0.00		0.00
	Caña, maiz, maní café	PRIMARIA	48		COFADENA	SI	no				0 00
Azucar	AZUCAR,ALCOHOL	INDUSTRIAL	803	906.54	CBF/CODETAR	SI	No		0.00		0.00
LACTEOS	LECHE/GANADO/PASTO	PRIMARIA	10		CBF/CORDECRUZ	SI	NO				0.00
Azucar	AZUCAR/ALCOHOL	INDUSTRIAL	634	342.96	CBF/CORDECRUZ	SI	NO	0.00	0.00		0.00
CEREALES	ARROZ	INDUSTRIAL	11		CORDECRUZ	SI	SI				0.00
CONDIMENTOS	AJI	INDUSTRIAL	s/d		CORDECH		NO				0.00
GANADERIA	GANADO VACUNO	PRIMARIA	60		COFADENA	SI	NO	0 00			0.00
ACOPIO	ARROZ	PRIMARIA	13		CORDEBENI	Si	NO				0.00
Alim Balanc.	ALIM BALANCEADOS	INDUSTRIAL	59		CBF/CORDECRUZ	SI	SI				0.00
ASERRADERO	MEDERA	INDUSTRIAL	s/d		CORDEBENI		NO				0.00
LACTEOS	LECHE/GANADO	PRIMARIA	35		CBF/CORDECRUZ	Si	NO				0.00
AVICOLA	POLLOS	PRIMARIA	s/d		CORDECH		NO				0.00
Benef.Castaña	CASTAÑA	INDUSTRIAL	15		CBF/CORDEPANDO	No	SI				0.00
CEREALES	HARINA TARHUI	INDUSTRIAL	3		COREDECO	SI	NO				0.00
Prod.Trigo	Trigo		s/d		COFADENA/MINDEF	SI					0.00
AUTOMOTRIZ	ENS.AUTOMOVILES	INDUSTRIAL	113		COFADENA	SI	NO				0.00
REACTIVOS	ACIDO SULFURICO	INDUSTRIAL	s/d		COSSMIL		NO				0.00
OBRA GRUESA	TUBOS DE CEMENTO	INDUSTRIAL	30	228.02	MUNICIPAL	SI					0.00
Fab partes	CADENAS	INDUSTRIAL	11	585.73	SAM/CORDEOR	SI	NO				0.00
Cerámica	TEJA/LADRILLO	INDUSTRIAL	16		CORDEPANDO	Si	NO				0.00
Cerámica	TEJA/LADRILLO		s/d		Cordecruz						0.00
OBRA GRUESA	TUBOS CEM/LOSETA	INDUSTRIAL	s/d		MUNICIPAL	SI					0.00
HERRAMIENTAS	UTILES DE ROSCAR	INDUSTRIAL.	s/d		NACIONAL		NO				0.00
VESTUARIO	BOTAS	INDUSTRIAL	91		COFADENA	NO	SI				0.00
OBRA GRUESA	TUBOS DE CEMENTO	INDUSTRIAL	s/d		MUNICIPAL	SI					0.00
AVICOLA	AVES FAENADAS	INDUSTRIAL	10		CODETAR	No	NO				0.00
	Cascajo,Cascajillo y Arena		s/d			Si					0.00
OBRA GRUESA	TUBOS DE CEMENTO	INDUSTRIAL	s/d		MUNICIPAL	SI					0.00
Peltres	OBJ.DE PELTRE	INDUSTRIAL	11	497.18	CORDEOR	SI	NO				0.00
Carpint Metal.	CARROZADOS	INDUSTRIAL	99	377.49	CBF/CORDEPAZ	SI	NO		0.00		0.00
OBRA GRUESA	TUBOS DE CEMENTO	INDUSTRIAL	55	832.44	MUNICIPAL	SI	SI				0.00
LACTEOS	QUESOS	INDUSTRIAL	20		CORDECRUZ	SI	NO				0 00
ACABADO BASICO	VIDRIO	INDUSTRIAL	191	388.83	CBF/CORDEPAZ	SI	NO		0.00		0.00
Sal	SAL YODADA	INDUSTRIAL	s/d		CODETAR	SI	NO				0.00
OBRA GRUESA	TEJA/LADRILLO	INDUSTRIAL	26		CORDECRUZ/sam	SI					0.00
Prod.Artesan.	CERAMICA	PRIMARIA	s/d		CORDECH		NO				0.00
ACABADO	VIDRIOS	INDUSTRIAL	23		CODETAR	NO					0.00
OBRA GRUESA	TEJA/LADRILLO	INDUSTRIAL	21	393.57	CORDEOR	SI	NO				0 00
OBRA GRUESA	CEMENTO	INDUSTRIAL	130	630.54	CODETAR	NO	SI				0.00
OBRA GRUESA	TEJA/LADRILLO	INDUSTRIAL	s/d		CORDEBENI	SI	NO				0.00
PAPEL	PAPEL	INDUSTRIAL	s/d		CODETAR	NO	SI				0 00
OBRA GRUESA	LOSETAS	INDUSTRIAL	s/d		CORDECRUZ	SI	NO				0.00
ACABADO	AZULEJOS	INDUSTRIAL	64	554.02	CBF/CORDECO	SI	NO				0.00
CARPINTERIA	MUEBLES METALICOS	INDUSTRIAL	s/d		COFADENA	No	NO				0.00
Munición	MUNICIONES	INDUSTRIAL	40		COFADENA	SI	NO				0 00

18

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

RUBRO	PRODUCTO o SERVICIO	TIPO DE PRODUCCION	No. EM-PLEADO	SALARIO OMEDIO 19	TIPO DE AD-MINISTRACION	OPERACION	REC. TGN	DE TGN 1987	DE TGN 1988		MONTO RECIBIDO DEL TGN
Combustible	GAS natural por cañeria		s/d		CODETAR	SI	NO				0.00
Transp.Pas.			s/d		Cordepo	Si	No				0.00
Carga			s/d		Intermpal.	Si	No				0.00
Hoteleria			s/d		CORDECRUZ	Si	No				0.00
Beneficiado Café			s/d		COSSMIL	Si	No	0.00			0.00
			s/d		COSSMIL	Si					0.00
Prod.Truchas			s/d		MACA	Si					0.00
Des.Agropec.			40	515.83	CORDEOR	Si					0.00
	Botas de Cuero				COSSMIL	Si					0.00
Distribución	Energía Eléctrica		237		S.A.M.	Si	No	0.00	0.00	0.00	0.00
Prod.Fósforos	FOSFORO	INDUSTRIAL	60		S.A.M.	SI	SI				0.00
OBRA GRUESA	CEMENTO	INDUSTRIAL	279	529.72	S.A.M.	SI	NO	0.00	0.00	0.00	0.00
HILOS	HILOS DE ALGODON	INDUSTRIAL	380		SAM/CORDECRUZ	SI	NO				0.00
NO METALICOS	Sal Yodada	INDUSTRIAL	26		COFADENA/SAM	SI	No				0.00
Abonos y Pest.	PESTICIDAS	INDUSTRIAL	s/d		S.A.M.						0.00
Goma	GOMA	INDUSTRIAL	60		S.A.M.	NO	SI				0.00
Explosivos	EXPLOSIVOS y accesorios	INDUSTRIAL	121		COFADENA/sam	SI	No	0.00			0.00
Pasajer/Carga			1,503	2,389.98	S.A.M.	Si	No		0.00		0.00
Pasajeros/Carga	Transporte		s/d		Nacional	Si	No				0.00
Naviero/Carga			s/d		S.A.M.	Si	No				0.00

3

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

APORTA A TGN	A TGN 1987	A TGN 1988	A TGN 1989	MONTO APORT AL TGN 3 AÑOS	A CRDs 1988	DE CRDs 1988	ACTIVO TOTAL 1985	ACTIVO TOTAL 1986	ACTIVO TOTAL 1987
				0.00					
NO		0.00		0.00	0.00	0.00		161,510,320.00	208,570,628.63
No				0.00					
No				0.00					
SI	22,026,892.00	12,000,000.00		34,026,892.00	0.00	0.00			355,585,353.11
				0.00					
SI	413,380,179.31	883,949,814.00		1,297,329,993.31	90,716,596.00				2,725,020,896.88
NO	0.00	0.00	0.00	0.00	0.00	0.00	506,313,155.00	636,677,154.00	838,803,826.80
		7,065,000.00		7,065,000.00					
				0.00					
		0.00		0.00	0.00	0.00		227,466,819.00	232,653,274.00
				0.00					
				0.00					
				0.00					
				0.00					
				0.00					
				0.00					
				0.00					
				0.00					
NO				0.00					34,295,335.36
NO		0.00		0.00	0.00	0.00			714,129,980.25
No	0.00	0.00		0.00	0.00	0.00			19,825,954.15
				0.00					
	435,407,071	903,014,814	0	1,338,421,885	90,716,595	0	506,313,155	1,025,654,293	5,128,885,249

APORTA A TGN	A TGN 1987	A TGN 1988	A TGN 1989	MONTO APORT AL TGN	A CRDs 1988	DE CRDs 1988	ACTIVO 1985	ACTIVO 1986	ACTIVO 1987
				0.00					
No				0.00					
				0.00					
				0.00					
No				0.00					
NO				0.00					
				0.00					
	0.00	0.00		0.00	0.00				5,000,231.14
				0.00					
No				0.00					
				0.00					
				0.00					
	0.00	0.00		0.00	0.00				13,780,401.46
				0.00					
				0.00					
NO		0.00		0.00	0.00	0.00			
NO		0.00		0.00	0.00	0.00			
NO		0.00		0.00	0.00	0.00			

190

NO	0.00	0.00	0.00	0.00	0.00	200,000.00			8,022,138.82
NO		0.00		0.00	0.00	0.00			
				0.00					
No				0.00					
No				0 00					
No				0.00					
No				0.00					
				0.00					
				0.00					
No				0.00					
				0.00					
No				0.00					
				0.00					
No				0.00					
				0.00					
				0.00					
				0.00					
				0.00					
				0.00					
NO				0.00					
No				0.00					
				0.00					
No				0.00					
				0.00					
No				0.00					
No				0.00					
				0.00					
No	0.00	0.00	0.00	0.00	0.00	0.00			16,622,128.46
NO				0.00					7,471,421.42
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	24,093,549.88
APORTA A TGN	A TGN 1987	A TGN 1988	A TGN 1989	MONTO APORT AL TGN	A CRDs 1988	DE CRDs 1988	ACTIVO 1985	ACTIVO 1986	ACTIVO 1987
NO				0.00					
				0.00					
				0.00					
				0.00					
				0.00					
NO				0.00					
NO				0.00					
				0.00					
NO				0.00					
NO				0.00					
NO				0.00					
NO				0.00					
NO		0.00		0.00	0 00	0.00			
NO				0.00					
NO				0.00					
NO	0.00	0 00		0 00	0.00	0.00			1,946,672.37
NO				0 00					
NO				0 00					

146

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

NO				0.00					1.521.146.14
NO		0.00		0.00	0.00	0.00			31,319,175.68
NO				0.00					
NO		0.00		0.00	0.00	0.00			
NO				0.00					
NO		0.00		0.00	0.00	0.00			
NO				0.00					
NO	0.00	0.00		0.00	0.00	0.00			60.976.782.77
				0.00					
NO				0.00					
NO	0.00			0.00					2.050.866.00
NO				0.00					
NO				0.00					
NO				0.00					
NO				0.00					
NO				0.00					
NO				0.00					
NO				0.00					
				0.00					
NO				0.00					
NO	0.00			0.00	0.00	0.00			3.105.144.02
				0.00					
NO				0.00					
NO				0.00					
				0.00					
				0.00					
NO				0.00					
NO				0.00					
				0.00					
NO				0.00					
				0.00					

APORTA A TGN	A TGN 1987	A TGN 1988	A TGN 1989	MONTO APORT AL TGN	A CRDs 1988	DE CRDs 1988	ACTIVO 1985	ACTIVO 1986	ACTIVO 1987
				0.00					
NO				0.00					
NO		0.00		0.00	0.00	0.00			
NO	0.00	0.00		0.00	0.00	0.00			1.378.729.40
NO				0.00					
NO		0.00		0.00	0.00	0.00			
NO				0.00					
				0.00					
NO				0.00					
				0.00					
NO				0.00					
NO				0.00					
NO				0.00					
NO				0.00					
NO				0.00					
NO				0.00					
NO				0.00					
NO				0.00					

NO				0.00					
				0.00					
				0.00					
NO				0.00					
NO	0.00			0.00	0.00	0.00		422,039.57	409,167.65
				0.00					2,750,695.91
				0.00					
				0.00					
				0.00					

APORTA A TGN	A TGN 1987	A TGN 1988	A TGN 1989	MONTO APORT AL TGN	A CRDs 1988	DE CRDs 1988	ACTIVO 1985	ACTIVO 1986	ACTIVO 1987
NO				0.00	0.00	0.00			49,953,327.78
NO				0.00					
NO	0.00	0.00	0.00	0.00					84,814,175.29
NO				0.00					
NO				0.00					
				0.00					
NO				0.00					
NO	0.00	0.00	0.00	0.00	0.00	0.00			6,787,763.68
No		0.00		0.00	0.00	0.00			
				0.00					
				0.00					

145

4

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

ACTIVO TOTAL 1988	ACTIVO TOTAL 1989	PATRIMONIO 1985	PATRIMONIO 1986	PATRIMONIO 1987	PATRIMONIO 1988	PATRIMONIO 1989	CAPITALIZACION 1987
229,364,984.00			65,486,990.00	78,360,470.00	80,781,628.00		
335,655,730.22				179,382,879.05	224,866,879.59		0.00
			1,331,926,397.46	1,580,731,128.39			22,367,752 31
1,002,516,066.79		246,804,106.00	406,435,122.00	646,881,201.64	798,375,693.20		4,454,064.00
255,288,517.00			(61,785,581.00)	213,545,822.00	232,643,750.00		506,836,546.00
586,218,411.84				20,597,079.20	508,105,810.79		
722,886,857.03				390,108,452.20	390,902,778.41		
30,613,456.96				1,305,099.21	3,283,162.12		
3,162,544,024	0	246,804,108	1,742,062,928	3,110,912,132	2,238,959,702	0	533,658,362

ACTIVO 1988	ACTIVO 1989	PATRIMONIO 1985	PATRIMONIO 1986	PATRIMONIO 1987	PATRIMONIO 1988	PATRIMONIO 1989	CAPITALIZACION 1987
255,879.74							
5,470,432.47				2,358,037.51	2,306,315.67		
16,230,885.79				8,686,078.38	10,284,856.65		0.00
15,326,173.46							

155

DIPES/MPC

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

ACTIVO 1988	ACTIVO 1989	PATRIMONIO 1985	PATRIMONIO 1986	PATRIMONIO 1987	PATRIMONIO 1988	PATRIMONIO 1989	CAPITALIZACION 1987
				3,611,147.59			
60,380.72							
				15,814,690.42			
				4,990,246.09			
0.00	0.00	0.00	0.00	20,804,936.51	0.00	0.00	0.00
2,924,591.47				1,877,832.52	2,849,693.52		
4,742,872.42					3,285,176.90		
946,000.00					849,200.00		

152

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

985,016.14				1,365,609.74	851,059.50		
54,937,656.11				1,636,370.02	32,256,505.62		
2,809,573.00					2,616,595.80		
562,632.82					468,741.71		
69,514,539.50				59,274,044.85	66,538,560.13		
				1,909,358.00			
5,268,459.09					2,986,897.49		
2,188,912.59					2,136,428.05		
				3,429,898.59			
107,587.82					96,288.88		
428,920.44					137,654.75		

ACTIVO 1988	ACTIVO 1989	PATRIMONIO 1985	PATRIMONIO 1986	PATRIMONIO 1987	PATRIMONIO 1988	PATRIMONIO 1989	CAPITALIZACION 1987
1,133,235.40							
26,661,923.20							
2,408,061.35				1,158,619.86	1,921,549.93		
1,547,935.33							
5,292,224.00					2,075,824.00		

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

		596.035.03					
			418,665.55	402.473.30			0.00
				2,729,546.68			

ACTIVO 1988	ACTIVO 1989	PATRIMONIO 1985	PATRIMONIO 1986	PATRIMONIO 1987	PATRIMONIO 1988	PATRIMONIO 1989	CAPITALIZACION 1987
68,485.209.03				27,470.084.75	50.737.850.62		
94.211,446.06				30.635.591.06	36.199.347.05		
70,217,516.00					27,436,372.00		
							0.00

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

	CAPITALIZACION 1988	CAPITALIZACION 1989	INVERSIONES 1987	INVERSIONES 1988	INVERSIONES 1989	INGRESO TOTAL 1985	INGRESO TOTAL 1986	INGRESO TOTAL 1987
1								
2			43,113.66				10,994,260.00	16,474,630.00
3								
4								
5	0.00							77,136,150.74
6								
7			85,131,932.07			459,741,963.39	1,272,037,035.08	1,196,586,011.57
8	266,431,142.39		20,987,026.72	24,037,845.82		26,308,264.00	55,994,591.00	61,021,819.28
9								
10								
11							139,180,882.00	33,931,561.00
12								
13								
14								
15								
16								
17								
18								
19								
20								22,523,544.02
21								
22			14,497.57	20,386.02				
23								
	266,431,142	0	106,176,570	24,058,232	0	486,050,227	1,478,206,768	1,407,673,717

	CAPITALIZACION 1988	CAPITALIZACION 1989	INVERSIONES 1987	INVERSIONES 1988	INVERSIONES 1989	INGRESO TOTAL 1985	INGRESO TOTAL 1986	INGRESO TOTAL 1987
24								
25								
26								
27								
28								
29								
30								
31								2,837,189.21
32								
33								
34								
35								
36	0.00							1,658,206.98
37								
38								
39								
40								
41								

156

DIPES/MPC

	CAPITALIZACION 1988	CAPITALIZACION 1989	INVERSIONES 1987	INVERSIONES 1988	INVERSIONES 1989	INGRESO TOTAL 1985	INGRESO TOTAL 1986	INGRESO TOTAL 1987
42								6,035,141.12
43								
44								
45								
46								
47								
48								
49								
50								
51								
52								
53								
54								
55								
56								
57								
58								
59								
60								
61								
62								
63								
64								
65								
66								
67								
68								
69								4,233,713.85
70			4,661,699.53					1,557,046.63
	0.00	0.00	4,661,699.53	0.00	0.00	0.00	0.00	5,790,760.48
71								
72								
73								
74								
75								
76								
77								
78								
79								
80								
81								
82								
83								
84								
85								
86								439,328.39
87								
88								

154

	CAPITALIZACION 1988	CAPITALIZACION 1989	INVERSIONES 1987	INVERSIONES 1988	INVERSIONES 1989	INGRESO TOTAL 1985	INGRESO TOTAL 1986	INGRESO TOTAL 1987
89			0.00					
90								3,851,945.42
91								
92								
93								
94								
95								
96			100,226.03	117,644.27				17,960,038.12
97								
98								
99			4,554.00					361,267.00
100								
101								
102								
103								
104								
105								
106								
107								
108								
109			0.00					
110								
111								
112								
113								
114								
115								
116								
117								
118								
119								
120								
121								
122								
123			2,856.00	2,856.00				1,562,757.81
124								
125								
126								
127								
128								
129								
130								
131								
132								
133								
134								
135								
136								
137								

153

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

138								
139								
140								
141								
142			0.00				133,795.80	157,964.49
143			0.00					
144								
145								
146								

	CAPITALIZACION 1988	CAPITALIZACION 1989	INVERSIONES 1987	INVERSIONES 1988	INVERSIONES 1989	INGRESO TOTAL 1985	INGRESO TOTAL 1986	INGRESO TOTAL 1987
147								25,539,289.97
148								
149				2,144,744.00				18,548,068.18
150								
151								
152								
153								
154			22,529.10					1,561,289.81
155								
156								
157								

158

DIPES/MPC

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

	INGRESO TOTAL 1988	INGRESO TOTAL 1989	VENTAS 1985	VENTAS 1986	VENTAS 1987	VENTAS 1988	VENTAS 1989	EGRESO TOTAL 1985	EGRESO TOTAL 1986
1									
2	17,814,494.00			6.933,430.00	13.252,050.00	16,262 099.00			13.389,040.00
3									
4									
5	132.527,294.32				33.740,317.97	127.067,443.58			
6									
7			306.009,387.10	1,180,494,403.57	1,113,259,744.46			284.983,493.88	832.374,458.61
8	75,641,945.70		26,308,264.00	55,994,591.00	57,617,400.00	72,342,115.38		23,852,272.00	57,999,267.00
9									
10									
11	118,638,815.00			106.810,411.00	30,852,896.00	100.336,163.00			158,004.034.00
12									
13									
14									
15									
16									
17									
18									
19									
20	25,101,102.74				19,165,794.37	22,240,964.41			
21	99.695,790.30					96,573,183.69			
22	4,973,984.90					56,813.60			
23									
	474,593,427	0	332.317,651	1,350.232.836	1,267.888.203	434.878.783	0	308.835.766	1.061.766,800

	INGRESO TOTAL 1988	INGRESO TOTAL 1989	VENTAS 1985	VENTAS 1986	VENTAS 1987	VENTAS 1988	VENTAS 1989	EGRESOS 1985	EGRESOS 1986
24									
25									
26									
27									
28									
29									
30									
31	3.300,595.63				2,566,991.02	2,934.840.95			
32									
33									
34									
35									
36	2.032.488.60				411.647.36	1.039.928.38			
37									
38									
39									
40									
41									

DIPES/MPC

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

	INGRESO TOTAL 1988	INGRESO TOTAL 1989	VENTAS 1985	VENTAS 1986	VENTAS 1987	VENTAS 1988	VENTAS 1989	EGRESOS 1985	EGRESOS 1986
42					5,564,867.00				
43									
44									
45									
46									
47									
48									
49									
50									
51									
52									
53									
54									
55									
56									
57									
58									
59									
60									
61									
62									
63									
64									
65									
66									
67									
68									
69					3,826,095.41				
70					0.00				
	0.00	0.00	0.00	0.00	3,826,095.41	0.00	0.00	0.00	0.00
71									
72									
73									
74									
75									
76									
77									
78									
79									
80									
81									
82									
83									
84									
85									
86	384.249 90				252.157 05	206.290.75			
87									
88									

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

89									
90	6,063,600.32				3,765,845.69	3,411,560.84			
91									
92									
93									
94									
95									
96	16,454,616.55				14,722,749.29	14,560,748.79			
97									
98									
99					357,928.00				
100									
101									
102									
103									
104									
105									
106									
107									
108									
109									
110									
111									
112									
113									
114									
115									
116									
117									
118									
119									
	INGRESO TOTAL 1988	INGRESO TOTAL 1989	VENTAS 1985	VENTAS 1986	VENTAS 1987	VENTAS 1988	VENTAS 1989	EGRESOS 1985	EGRESOS 1986
---	----------------	-------------	-------------	----------------	---------------	-------------	-------------	-------------	-------------
120									
121									
122									
123	2,689,987.02				1,515,457.83	2,544,468.72			
124									
125	3,938,157.09	4,117,554.25							
126									
127									
128									
129									
130									
131									
132									
133									
134									
135									
136									
137									

138									
139									
140									
141									
142				133,795.80	155,292.60				308.233.35
143									
144									
145									
146									

	INGRESO TOTAL 1988	INGRESO TOTAL 1989	VENTAS 1985	VENTAS 1986	VENTAS 1987	VENTAS 1988	VENTAS 1989	EGRESOS 1985	EGRESOS 1986
147	34,172.043.54				21.820.244.61	29.582.491.26			
148									
149	24.288,752.05				17.460.511.61	21.117,598.98			
150									
151									
152									
153									
154	2.768.593.57				1,518.175.00	2.407,783.50			
155									
156									
157									

160

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

	EGRESO TOTAL 1987	EGRESO TOTAL 1988	EGRESO TOTAL 1989	SUPERAVIT 1985	SUPERAVIT 1986	SUPERAVIT 1987	SUPERAVIT 1988	SUPERAVIT 1989	EXPORTACIONES 1986
1				0.00	0.00	0.00	0.00	0.00	
2	17,134,340.00	8,955,685.00		0.00	(2,394,780.00)	(659,710.00)	8,858,809.00	0.00	
3				0.00	0.00	0.00	0.00	0.00	
4				0.00	0.00	0.00	0.00	0.00	
5	82,078,114.84	109,963,154.07		0.00	0.00	(4,941,964.10)	22,564,140.25	0.00	
6				0.00	0.00	0.00	0.00	0.00	
7	783,161,692.17			174,758,469.51	439,662,576.47	413,424,319.40	0.00	0.00	630,382,980.11
8	60,060,847.73	73,645,960.97		2,455,392.00	(2,004,676.00)	960,971.55	2,195,984.73	0.00	
9				0.00	0.00	0.00	0.00	0.00	
10				0.00	0.00	0.00	0.00	0.00	
11	133,706,508.00	113,780,280.00		0.00	(18,823,152.00)	(99,774,947.00)	4,858,535.00	0.00	
12				0.00	0.00	0.00	0.00	0.00	
13				0.00	0.00	0.00	0.00	0.00	
14				0.00	0.00	0.00	0.00	0.00	
15				0.00	0.00	0.00	0.00	0.00	
16				0.00	0.00	0.00	0.00	0.00	
17				0.00	0.00	0.00	0.00	0.00	
18				0.00	0.00	0.00	0.00	0.00	
19				0.00	0.00	0.00	0.00	0.00	
20	16,768,990.18	21,681,478.29		0.00	0.00	5,754,553.84	3,419,624.45	0.00	
21		97,275,811.71		0.00	0.00	0.00	2,419,978.59	0.00	
22		2,995,742.37		0.00	0.00	0.00	1,978,[illegible]42.53	0.00	
23				0.00	0.00	0.00	0.00	0.00	
	1,092,910,493	428,298,112	0	177,214,462	416,439,968	314,763,224	46,295,315	0	630,382,980

	EGRESOS 1987	EGRESOS 1988	EGRESOS 1989	SUPERAVIT 1985	SUPERAVIT 1986	SUPERAVIT 1987	SUPERAVIT 1988	SUPERAVIT 1989	EXPORTACIONES 1986
24				0.00	0.00	0.00	0.00	0.00	
25				0.00	0.00	0.00	0.00	0.00	
26				0.00	0.00	0.00	0.00	0.00	
27				0.00	0.00	0.00	0.00	0.00	
28				0.00	0.00	0.00	0.00	0.00	
29				0.00	0.00	0.00	0.00	0.00	
30				0.00	0.00	0.00	0.00	0.00	
31	2,560,806.63	3,134,502.93		0.00	0.00	276,382.58	166,092.70	0.00	
32				0.00	0.00	0.00	0.00	0.00	
33				0.00	0.00	0.00	0.00	0.00	
34				0.00	0.00	0.00	0.00	0.00	
35				0.00	0.00	0.00	0.00	0.00	
36	1,542,428.58	1,766,975.37		0.00	0.00	115,778.40	265,513.23	0.00	
37				0.00	0.00	0.00	0.00	0.00	
38				0.00	0.00	0.00	0.00	0.00	
39				0.00	0.00	0.00	0.00	0.00	
40				0.00	0.00	0.00	0.00	0.00	
41				0.00	0.00	0.00	0.00	0.00	

DIPES/MPC

42	5,963,922.83			0.00	0.00	71,218.29	0.00	0.00	
43				0.00	0.00	0.00	0.00	0.00	
44				0.00	0.00	0.00	0.00	0.00	
45				0.00	0.00	0.00	0.00	0.00	
46				0.00	0.00	0.00	0.00	0.00	
47				0.00	0.00	0.00	0.00	0.00	
48				0.00	0.00	0.00	0.00	0.00	
49				0.00	0.00	0.00	0.00	0.00	
50				0.00	0.00	0.00	0.00	0.00	
51				0.00	0.00	0.00	0.00	0.00	
52				0.00	0.00	0.00	0.00	0.00	
53				0.00	0.00	0.00	0.00	0.00	
54				0.00	0.00	0.00	0.00	0.00	
55				0.00	0.00	0.00	0.00	0.00	
56				0.00	0.00	0.00	0.00	0.00	
57				0.00	0.00	0.00	0.00	0.00	
58				0.00	0.00	0.00	0.00	0.00	
59				0.00	0.00	0.00	0.00	0.00	
60				0.00	0.00	0.00	0.00	0.00	
61				0.00	0.00	0.00	0.00	0.00	
62				0.00	0.00	0.00	0.00	0.00	
63				0.00	0.00	0.00	0.00	0.00	
64				0.00	0.00	0.00	0.00	0.00	
65				0.00	0.00	0.00	0.00	0.00	
66				0.00	0.00	0.00	0.00	0.00	
67				0.00	0.00	0.00	0.00	0.00	
68				0.00	0.00	0.00	0.00	0.00	
69	6,683,070.70			0.00	0.00	(2,449,356.85)	0.00	0.00	
70	702,358.09			0.00	0.00	854,688.54	0.00	0.00	
	7,385,428.79	0.00	0.00	0.00	0.00	(1,594,668.31)	0.00	0.00	0.00
	EGRESOS 1987	EGRESOS 1988	EGRESOS 1989	SUPERAVIT 1985	SUPERAVIT 1986	SUPERAVIT 1987	SUPERAVIT 1988	SUPERAVIT 1989	EXPORTACIONES 1986
71				0.00	0.00	0.00	0.00	0.00	
72				0.00	0.00	0.00	0.00	0.00	
73				0.00	0.00	0.00	0.00	0.00	
74				0.00	0.00	0.00	0.00	0.00	
75				0.00	0.00	0.00	0.00	0.00	
76				0.00	0.00	0.00	0.00	0.00	
77				0.00	0.00	0.00	0.00	0.00	
78				0.00	0.00	0.00	0.00	0.00	
79				0.00	0.00	0.00	0.00	0.00	
80				0.00	0.00	0.00	0.00	0.00	
81				0.00	0.00	0.00	0.00	0.00	
82				0.00	0.00	0.00	0.00	0.00	
83				0.00	0.00	0.00	0.00	0.00	
84				0.00	0.00	0.00	0.00	0.00	
85				0.00	0.00	0.00	0.00	0.00	
86	425,380.86	496,702.60		0.00	0.00	13,947.53	(112,452.70)	0.00	
87				0.00	0.00	0.00	0.00	0.00	
88				0.00	0.00	0.00	0.00	0.00	

	EGRESOS 1987	EGRESOS 1988	EGRESOS 1989	SUPERAVIT 1985	SUPERAVIT 1986	SUPERAVIT 1987	SUPERAVIT 1988	SUPERAVIT 1989	EXPORTACIONES 1987
89				0.00	0.00	0.00	0.00	0.00	
90	8,068,293.70	5,146,498.02		0.00	0.00	(4,216,348.28)	917,102.30	0.00	
91				0.00	0.00	0.00	0.00	0.00	
92				0.00	0.00	0.00	0.00	0.00	
93				0.00	0.00	0.00	0.00	0.00	
94				0.00	0.00	0.00	0.00	0.00	
95				0.00	0.00	0.00	0.00	0.00	
96	17,678,017.14	15,661,066.87		0.00	0.00	282,020.98	793,549.68	0.00	
97				0.00	0.00	0.00	0.00	0.00	
98				0.00	0.00	0.00	0.00	0.00	
99	700,199.00			0.00	0.00	(338,932.00)	0.00	0.00	
100				0.00	0.00	0.00	0.00	0.00	
101				0.00	0.00	0.00	0.00	0.00	
102				0.00	0.00	0.00	0.00	0.00	
103				0.00	0.00	0.00	0.00	0.00	
104				0.00	0.00	0.00	0.00	0.00	
105				0.00	0.00	0.00	0.00	0.00	
106				0.00	0.00	0.00	0.00	0.00	
107				0.00	0.00	0.00	0.00	0.00	
108				0.00	0.00	0.00	0.00	0.00	
109				0.00	0.00	0.00	0.00	0.00	
110				0.00	0.00	0.00	0.00	0.00	
111				0.00	0.00	0.00	0.00	0.00	
112				0.00	0.00	0.00	0.00	0.00	
113				0.00	0.00	0.00	0.00	0.00	
114				0.00	0.00	0.00	0.00	0.00	
115				0.00	0.00	0.00	0.00	0.00	
116				0.00	0.00	0.00	0.00	0.00	
117				0.00	0.00	0.00	0.00	0.00	
118				0.00	0.00	0.00	0.00	0.00	
119				0.00	0.00	0.00	0.00	0.00	
120				0.00	0.00	0.00	0.00	0.00	
121				0.00	0.00	0.00	0.00	0.00	
122				0.00	0.00	0.00	0.00	0.00	
123	913,275.95	1,927,056.95		0.00	0.00	649,481.86	762,930.07	0.00	
124				0.00	0.00	0.00	0.00	0.00	
125		4,878,572.88	653,720.08	0.00	0.00	0.00	(940,415.79)	3,463,834.17	
126				0.00	0.00	0.00	0.00	0.00	
127				0.00	0.00	0.00	0.00	0.00	
128				0.00	0.00	0.00	0.00	0.00	
129				0.00	0.00	0.00	0.00	0.00	
130				0.00	0.00	0.00	0.00	0.00	
131				0.00	0.00	0.00	0.00	0.00	
132				0.00	0.00	0.00	0.00	0.00	
133				0.00	0.00	0.00	0.00	0.00	
134				0.00	0.00	0.00	0.00	0.00	
135				0.00	0.00	0.00	0.00	0.00	
136				0.00	0.00	0.00	0.00	0.00	
137				0.00	0.00	0.00	0.00	0.00	

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

138				0.00	0.00	0.00	0.00	0.00	
139				0.00	0.00	0.00	0.00	0.00	
140				0.00	0.00	0.00	0.00	0.00	
141				0.00	0.00	0.00	0.00	0.00	
142	238.736.02			0.00	(174,437.55)	(80.771.53)	0.00	0.00	0.00
143				0.00	0.00	0.00	0.00	0.00	
144				0.00	0.00	0.00	0.00	0.00	
145				0.00	0.00	0.00	0.00	0.00	
146				0.00	0.00	0.00	0.00	0.00	

	EGRESOS 1987	EGRESOS 1988	EGRESOS 1989	SUPERAVIT 1985	SUPERAVIT 1986	SUPERAVIT 1987	SUPERAVIT 1988	SUPERAVIT 1989	EXPORTACIONES 1986
147	20,631,749.67	28,471,260.16		0.00	0.00	4,907,540.30	5,700,783.38	0.00	
148				0.00	0.00	0.00	0.00	0.00	
149	17,597,676.66	23,733,646.31		0.00	0.00	950,391.52	555,105.74	0.00	
150				0.00	0.00	0.00	0.00	0.00	
151				0.00	0.00	0.00	0.00	0.00	
152				0.00	0.00	0.00	0.00	0.00	
153				0.00	0.00	0.00	0.00	0.00	
154	3,252,164.72	2,844,609.94		0.00	0.00	(1,690,874.91)	(76,016.37)	0.00	
155				0.00	0.00	0.00	0.00	0.00	
156				0.00	0.00	0.00	0.00	0.00	
157				0.00	0.00	0.00	0.00	0.00	

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

	EXPORTACIONES 1987	EXPORTACIONES 1988	EXPORTACIONES 1989	IVA 1987	IVA 1988	IVA 1989	GASTOS OP 1988
1		0.00					
2	0.00	0.00			11,306.00		
3		0.00					
4		0.00					
5	33,019,067.94	48,679,999.95		20,133,506.00	12,230,051.00		
6							
7	514,464,372.43	526,600,000.00		43,613,282.39	82,790,433.00		
8	0.00	0.00		202,956.22	2,765,157.00		
9		55,040,722.00			0.00		
10							
11		96,442,174.00			0.00		
12		0.00					
13		0.00					
14		0.00					
15		0.00					
16		0.00					
17		0.00					
18		0.00					
19		0.00					
20		0.00					
21		0.00			1,135,991.00		
22		0.00					
23							
	547,483,440	726,762,896	0	63 949,745	98,932,938	0	

	EXPORTACIONES 1987	EXPORTACION 1989	EXPORTACION 1989	IVA 1987	IVA 1988	IVA 1989	GASTOS OP 1988
24		0.00					
25		0.00					
26		0.00					
27		0.00					
28		0.00					
29		0.00					
30		0.00					
31		0.00					2968410.
32							
33		0.00					
34		0.00					
35		0.00					
36	0.00	0.00					
37		0.00					
38							
39		0.00			35[illegible].198 00		
40		0.00			0 00		
41		0.00			0.00		

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

42		0.00			345,543.00	
43		0.00			167,922.00	
44		0.00				
45		0.00				
46		0.00				
47		0.00				
48		0.00				
49		0.00				
50		0.00				
51		0.00				
52		0.00				
53		0.00				
54		0.00				
55		0.00				
56		0.00				
57		0.00				
58		0.00				
59		0.00				
60		0.00				
61		0.00				
62		0.00				
63		0.00				
64		0.00				
65		0.00				
66		0.00				
67		0.00				
68		0.00				
69	0.00	0.00				
70		0.00				
	0.00	0.00	0.00	0.00	0.00	0.00
	EXPORTACIONES 1987	EXPORTACION 1988	EXPORTACION 1989	IVA 1987	IVA 1988	IVA 1989
71						
72						
73						
74						
75						
76		0.00				
77		0.00				
78		0.00				
79		0.00				
80		0.00				
81		0.00				
82		0.00				
83		0.00			39,658.00	
84						
85		0.00				
86		0.00				
87		0.00				
88						

EMPRESAS DEL SECTOR PUBLICO NO FINANCIERO

	EXPORTACIONES 1987	EXPORTACION 1988	EXPORTACION 1989	IVA 1987	IVA 1988	IVA 1989
89		0.00				
90		0.00			0.00	
91		0.00				
92		0.00			0.00	
93		0.00				
94		8,985,942.00			2,339,991.00	
95		0.00				
96	1,850,802.42	749,838.43			592,849.00	
97		0.00				
98		0.00				
99		0.00				
100		0.00				
101		0.00				
102		0.00				
103		0.00				
104		0.00				
105		0.00				
106		0.00				
107						
108		0.00				
109		0.00				
110		0.00				
111		0.00				
112		0.00				
113						
114		0.00				
115		0.00				
116		0.00				
117		0.00				
118		0.00				
119		0.00				
120		0.00				
121		0.00				
122		0.00			16,612.00	
123	0.00	0.00		44,475.00	16,994.00	
124		0.00				
125		0.00			357,333.00	
126		0.00				
127		0.00				
128		0.00				
129		0.00				
130		0.00				
131		0.00				
132		0.00				
133		0.00				
134		0.00				
135		0.00				
136		0.00				
137		0.00				

167

138						
139		0.00				
140		0.00				
141		0.00				
142	0.00	0.00				
143						
144						
145						
146						

	EXPORTACIONES 1987	EXPORTACION 1988	EXPORTACION 1989	IVA 1987	IVA 1988	IVA 1989
147	0.00	0.00				
148		0.00				
149	0.00	0.00		2,810,546.80	942,129.94	
150		0.00				
151		0.00				
152						
153		0.00				
154		0.00				
155		94,462,957.00			3,767,511.00	
156		0.00				
157		0.00				

ALTERNATIVA "A"

[illegible]

PROYECTO DE LEY PARA AUTORIZAR A LAS
EMPRESAS PUBLICAS SU PRIVATIZACION Y/O DISOLUCION

EL HONORABLE CONGRESO NACIONAL

DECRETA:

Articulo Primero.- De conformidad al inciso 7 del articulo 59 de la Constitución Política del Estado, todas las Empresas del Sector Público, sean estas, del Estado Central, de las Prefecturas de Departamento, las Alcaldias Municipales, las Corporaciones Regionales de Desarrollo y las FF.AA., quedan autorizadas para proceder a la privatización, o disolución de sus empresas, sociedades y establecimientos cuyos bienes les pertenezca total o parcialmente en su calidad de organismos del Estado, aplicando al efecto los procedimientos que mediante Decreto Supremo establezca el Poder Ejecutivo.

Articulo Segundo.- Los procesos de privatización, transferencias y/o disoluciones deberán ejecutarse adoptando las modalidades que establezca el Decreto Supremo, mencionado en el articulo anterior, sin embargo todos ellos, propenderan a obtener la participación del mayor número de interesados, a fin de que los procedimientos de licitación para que las transferencias, los contratos de alquiler, y/o de administración, venta de acciones, contratos de riesgo compartido y otros, tiendan a democratizar la propiedad del capital.

Articulo Tercero.- La propuesta más conveniente a los intereses del Estado será evaluada teniendo en cuenta el valor real de mercado de los establecimientos y todas las demás variables que muestren el mayor beneficio para los intereses públicos, para lo cual deberán señalarse en los procedimientos de oferta, sistemas de puntaje referidos a los distintos aspectos a ser tomados en cuenta en la evaluación de las propuestas.

Articulo Cuarto.- Los procedimientos de privatización que se establecerán mediante el Decreto Supremo a ser aprobado por el Poder Ejecutivo, al que se refiere el Artículo Primero, se iniciarán con: el estudio y análisis técnico-económico de cada empresa, que estableceran el valor de mercado de todo su patrimonio y los procedimientos más adecuados de privatización o liquidación aplicables en cada caso. Estos estudios serán realizados por el Poder Ejecutivo, quién para cumplir estos propósitos podrá contratar todo el asesoramiento que asegure la obtención de opinión técnica imparcial y que en ningún caso participara en el procedimiento de selección de ofertas.

Artículo Quinto.- Los recursos provenientes de estas transferencias,que se lleven a cabo bajo el amparo de la presente Ley, seran de propiedad de la region o la institucion administradora del establecimiento, pero no podrán ser presupuestados para gastos de funcionamiento, ni tampoco para la reinversión en otros proyectos industriales.

Artículo Sexto.- Ni el Gobierno Central ni ninguna dependencia del mismo podrá obtener y/o otorgar créditos directos a los adjudicatarios de las empresas transferidas.

Artículo Septimo.- El Directorio de las Empresas publicas, el de las Corporaciones Regionales de Desarrollo, los Consejos Municipales, las Prefecturas y las FF.AA. decidirán la venta de sus empresas, bienes y/o acciones de su propiedad al sector privado y/o cooperativo, o el aporte de las mismas a la organización de sociedades anónimas de economía mixta, operaciones de riesgo compartido, mediante Resolución expresa.

Articulo Octavo.- La Contraloría General de la República practicará auditoría externa sobre cada proceso de privatización y elaborará un informe final certificando la corrección de la operación, o en su caso, estableciendo las responsabilidades consiguientes.

Pase a la H. Cámara de Diputados para efectos de revisión.

Es dada en la Sala de Sesiones del Honorable Senado Nacional, a los .... días del mes de .... de mil novecientos noventa años.

Presidente del H. Senado Nacional

Senador Secretario

Senador Secretario

REV.
A:CMS/23/5/90
B:CMS/24/5/90
C:ED/IC/4/6/90

170