THE BRAZIL STEEL SECTOR PRIVATIZATION 1990-1994
WORKSHOP REPORT

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THE BRAZIL STEEL SECTOR
PRIVATIZATION 1990-1994
WORKSHOP REPORT

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SUMMARY

This workshop session on the Brazil Steel Sector Privatization – 1990-1994 was prepared and delivered in response to the Privatisation Commission Secretary’s request after the first session of the International Best Practices in Privatization workshop. In order to better understand the application of the best practice concepts being discussed, the Secretary wanted to hear about and be able to discuss an example of a particularly successful privatization in industry in a country of similar size and stage of economic development. It became apparent that he was, in particular, looking for an example that would be relevant and perhaps provide guidance to the government of Pakistan for the Pakistan Steel Mills impending privatization. Brazil steel privatization was selected as Brazil in 1990-1994 was a country and economy similar in population and economic size to that of Pakistan at present when it privatized its steel industry. The training lasted for approximately two hours.

METHODOLOGY

The methodology used was an interactive presentation through which the participants were provided with the context, relevant sector status details, and significant focus on the process that the government of Brazil (GoB) went through to ensure what turned out to be a very successful sector privatization, that resulted in a globally competitive steel industry that endures to this day, 24 years after the last of the series of steel company privatizations were completed. Questions were asked by participants that ensured their understanding of what had occurred, what the key actions that the GoB took that enabled that success, and how that experience related to what has and needs to occur in Pakistan.

PARTICIPANTS

There were 8 participants who included the Secretary, DG Administration, Senior Transaction Managers, Transaction Managers, including legal and financial consultants.

MATERIALS

The Power Point presentation contains 25 slides that were developed from research of historical documentation and analysis of the steel sector privatization process in Brazil in the late 1980s’ through the early 1990’s, mainly 1989 – 1994. The Instructor’s guide was to present and discuss interactively the topics in the slides, ensuring that the participants gained an understanding of the different keys elements and factors that led to the successful privatization of the steel industry in Brazil in the early 1990’s. As part of the discussion process, the facilitator asked the participants to relate and/or contrast what was done in Brazil, with what has been done in privatizing different sectors in Pakistan, particularly the more successful ones - the commercial banking sector in the early-mid-2000s, one major telecom company.
(2004-2006), two entities in the power sector (K-Electric and KAPCO), and two entities in the energy sector (OGDCL and Mari Petroleum).

CONCLUSIONS

While the amount of information communicated about what occurred in Brazil was extensive, by constantly relating the materials to privatizations in Pakistan, the participants seemed able to apply and contrast what they were hearing to the current situation in Pakistan and to what they knew of international best practices in privatization. One challenge that the trainer faced was at the conclusion of the session, the Secretary asked him for a review of the full process and current status of the privatization of Pakistan Steel Mills (PSM) with recommendations for the way forward. Most of this request was deflected as it was deemed unproductive, and more importantly, should have been done by the PC participants as a practical exercise of applying what they had learned. A separate discussion with the Secretary was held a few days later in which in-context recommendations were made to continue with the already established and underway process for privatizing PSM as the optimal way forward given the history and current circumstances of PSM and in Pakistan and the urgent need to stem PSM losses as quickly as possible. That the Secretary was first questioning the current approach, and then was able to make his own evaluation of those recommendations was evidence that the training session had been productive.
ANNEX 1: AGENDA

The details regarding venue and time commitment are as follows:

Venue: Privatisation Commission
Date: 9 November, 2017
Duration: 2 hours
Participants: Secretary, DG Administration, Senior Transaction Managers, Transaction Managers and Chief of Party, Crown Agents
Facilitator: James Hochschwender, Consultant Coordinator, Crown Agents

BRIEF OUTLINE OF THE WORKSHOP

- History of the steel industry in Brazil
- Basis for privatization of the steel industry in Brazil and the limitations of that strategy
- Objectives of Privatization in Brazil and Keys to its Sustainability
- How they forged alliances; the effects of doing so; and external constituencies formed
- Color and Formulation of New Industrial Policy in Brazil
- Steel Mills and Privatization
- The Process – the ways forward
  - Using private resources for public interests
  - Financial & other restructuring
  - Other factors in privatisation of steel in Brazil and Government responses to those hazards
- Who bought the steel mills, Post sale financing, sequence of sales
- Role of Labor in privatisation process
- Changes with change in government
- Conclusions
ANNEX 2: POWERPOINT PRESENTATION

The PowerPoint presentation used in the workshop is attached below.

BRAZIL STEEL PRIVATISATION 1990
ANNEX 3: LIST OF PARTICIPANTS

The list of participants who attended the workshop is given below.

List of Participants.pdf