

- A momentous development affecting the capital markets will be the introduction of a new pension fund system. The new system will channel employee contributions (estimated at US\$ 3 billion annually) to specialized pension funds that will invest in a wide array of private and public assets.

## PRIVATIZATION

Since 1990 nearly every business unit controlled by the government has been transferred to the private sector through sales of ownership or service concessions. Among the companies or business units privatized are telephone services; electricity generation; transmission and distribution; natural gas transport and distribution; all aspects of petroleum production and sales; railroads; highways; ports and port services; steel mills; petrochemical companies; and radio and television stations. The results of the program include:

- Improved provision of essential services and economic infrastructure, eliminating obstacles to the development of business operations. The resulting expectations of better services in the context of a steadily improving economy encourages investment in all sectors of the economy.

By the end of September 1994, the privatization program has brought in US\$ 9.7 billion in cash and permitted the government to retire approximately US\$ 13 billion in debt paper.

- The investment outlays of the companies will result in a sharp increase in demand for goods and services provided by suppliers who, in turn, will need to increase their investment outlays.
- The program has assisted the government in reducing expenditures and improving public accounts. Instead of draining public revenues to cover losses, the newly privatized companies are paying taxes.
- Both the newly privatized companies and the individual members of the operating consortia have been active in the international capital market with new issues or plans to issue Global and American Depositary Receipts (GDRs and ADRs) as well as debt securities in the Euromarket.