A Practical Guide to the Assessment of the Vulnerability of the Non-Financial Private Sector

Cuevas Mario

Centro de Investigaciones Económicas Nacionales

January 2007

Online at http://mpra.ub.uni-muenchen.de/1375/
Guía Práctica para Evaluar la Vulnerabilidad del Sector Privado No Financiero

Por Mario Cuevas

Banca & Finanzas, Documento de Trabajo No. 2
Guatemala, Enero del 2007

Abstracto: El documento presenta una guía práctica para la evaluación de la vulnerabilidad financiera y no financiera del sector privado (excluyendo entidades de intermediación financiera). Describe paso a paso la secuencia de rubros que pueden examinarse para determinar el nivel de vulnerabilidad del sector privado, incluyendo aquellos determinantes que se originan en los mercados financieros, interacción con el riesgo país, prácticas usuales para la gestión de riesgos en el sector corporativo y el entorno para la reestructuración empresarial. Además, el documento provee referencias bibliográficas para quien desee profundizar en algún aspecto de la vulnerabilidad del sector privado no financiero.

Palabras clave: vulnerabilidad financiera, riesgo financiero, riesgo-país, reestructuración corporativa, gobierno corporativo.

El Centro de Investigaciones Económicas Nacionales (CIEN) es una entidad privada, apolítica y no lucrativa, fundada en 1982. Su misión es impulsar el desarrollo económico de Guatemala mediante el estudio técnico de los problemas económicos y sociales del país, el análisis y conocimiento de los mismos y el planteamiento de soluciones concretas, congruentes con la realidad guatemalteca.

Se prohíbe la reproducción total o parcial de este documento sin autorización previa, por escrito.
A Practical Guide to the Assessment of the Vulnerability of the Non-Financial Private Sector

Mario Cuevas¹

INTRODUCTION

An Assessment of the Restructuring and Financial Vulnerability of the Non-Financial Private Sector is a diagnostic tool of the financial health of the non-financial private sector. Its objective is to identify key sources of financial vulnerability of households and private sector businesses in a country, to assist in crisis-prevention and in the design of reform strategies. This type of Assessment should be distinguished from assessments of: (a) macro-financial risk, focusing mainly on macroeconomic indicators, domestic socio-political risks, and risks emanating from the external environment; (b) financial sector vulnerability and risks, focusing on risks to banks and other financial intermediaries in a country; and (c) credit risk of an individual business or household, which focus primarily on the creditworthiness, and willingness and capacity to service debt by an individual firm or household.

Countries that are likely to need an Assessment of the Restructuring and Financial Vulnerability of the Non-Financial Private Sector include: (a) countries experimenting rapid economic growth but where the institutional and legal framework are deemed to be behind the sophistication of the financial operations of businesses and households; (b) countries that have recently liberalized their financial system and external capital accounts; (c) countries where it is known that private sector balance sheets may contain severe vulnerabilities arising from maturity or currency mismatches; (d) countries where it is observed that re-deployment of productive assets generally takes an inordinate amount of time (e.g. countries manifesting persistently low ratios of industry capacity utilization or high unemployment).

This document is a Roadmap for the design and implementation of an Assessment of the Restructuring and Financial Vulnerability of the Non-Financial Private Sector. It sets out in a logical and concise manner, key issues that should be explored in the preparation of an Assessment of the vulnerability of the non-financial private sector. In addition, it also suggests areas where it would be important to provide cross-country comparative tables, boxes discussing special issues, and benchmarks against international practices. The issues suggested in this Roadmap do not exhaust the range of possible sources of private sector vulnerability and, consequently, every Assessment should tailor its emphasis and presentation to the most important issues faced by a particular country.

¹ Cuevas is Director for Financial Research, National Center for Economic Research, Guatemala. Part of this document was written while the author was with the World Bank in Washington DC.
GENERAL DATA AND INFORMATION ISSUES

There should be a recognition that the extent and detail of a discussion on certain aspects of the framework for the restructuring of the non-financial public sector will necessarily depend on the availability of information and data, which will often be scarce in developing as well as more advanced countries. However, this is not necessarily an insurmountable barrier. Anecdotal evidence collected from well-informed, credible sources can often provide valuable insights into the usual ways and means for restructuring the financial liabilities of households and firms in a given country. Care should be taken to present anecdotal evidence as such, with adequate description of the sources and their credibility, so as to preserve the objective and scientific character of the Assessment. When quantitative data is available, adequate record should be kept of the sources and of the perceived quality of the data.

In certain circumstances, important data and information may be obtained on a confidential basis only. Issues of confidentiality of data and information are likely to remain an important challenge in the foreseeable future, and adequate care must be taken to ensure that confidentiality agreements are always honored. In these situations, it is important to be clear on what it is that is confidential in a given data set (e.g. is it the identity of the persons or firms involved? Is it the absolute amounts of liabilities involved? Is it the timing of an operation?). Specificity is of the essence when entering into confidentiality agreements with sources in a country. Needlessly vague agreements may impede the use of information and data in ways that would not breach better designed confidentiality agreements.

KEY ISSUES TO BE ADDRESSED

In an attempt to systematize the analysis of the restructuring and financial vulnerability of the non-financial private sector, a decision has been made to divide the issues to be analyzed into two main categories: (a) purely financial vulnerabilities; and (b) vulnerabilities arising from the “framework” and environment for the financial restructuring of the private sector, i.e. from the institutional, administrative, legal, regulatory and even cultural setting within which restructuring is expected to take place.

I. Assessment of the financial vulnerability of the non-financial private sector

Overview of the financial structure of the non-financial private sector

As a first step, an assessment of the financial vulnerability of the private sector should begin with an overview of the financial structure of the private sector and its evolution in recent times. Some historical context should be provided in the discussion. The Assessment should identify and discuss the salient features of the geographic distribution of creditors and debtors, the nature of economic concentrations, common financial ratios (preferably with some sector or geographic breakdown), general structure of maturities (preferably with some sector or geographic breakdown), and general levels and types of collateralization of liabilities.
As part of the overview of the financial structure of the private sector, the Assessment could include some discussion of the structure of past-due loans or more generally, of important examples of classes of liabilities that, at the moment, are not being honored. A discussion of the evolution of those liabilities could follow, with detailed discussion of the trends and sector and geographic distribution of such liabilities.

To provide a context for the Assessment of the Financial Vulnerability of the Private Sector, there should also be a brief description of the salient features of capital markets in the country. For presentation purposes and to avoid distractions from the main issues addressed in the Assessment, this discussion could be included as a “capital markets” box. The following types of issues could be discussed in the capital markets box:

**Equity Markets and Equity Instruments**

- List the names and principal characteristics of general and specialized Stock Exchange(s) including their ownership structures, market capitalization, volume of trade, common market indices, and salient features of market governance structure and market regulations.

- Describe the principal characteristics of most commonly traded assets, including listings and industry breakdown.

- Provide an assessment of the degree to which these assets could be regarded as being representative of the economy as a whole.

**Bond Markets and Debt Instruments**

- Provide a description of the institutional framework for bond markets in the country under assessment.

- Describe the profile of private and state-owned corporate bonds and describe the usual liquidity conditions in bond markets.

- Describe and discuss key features of the legal framework for the issuance and trading of commercial paper, promissory notes and bonds, and assess the availability and usefulness of any government benchmarks.

- Describe and discuss the main characteristics of offshore “national” funding usually available to firms and households in the country under assessment, including the nexus between domestic and offshore funding sources.

- Provide a general discussion of key issues with the regulation and supervision of bond markets.
Institutional Investors

• Describe and discuss the role and importance of institutional investors in the country, including the number, size by assets under control, management structure, ownership and other links, types of investment strategies, degree of development of risk management strategies, and other characteristics of leading domestic institutional investors.

• Provide a general discussion of key issues with the regulation and supervision of institutional investors, if any.

External Sources of Capital

• Provide a description of key features of the legal, regulatory and institutional framework dealing with foreign sources of capital in the country.

• Provide a general discussion of the effective degree of openness of the domestic private sector to foreign sources of capital and investment using key aggregate statistics. Important ownership links and industry concentrations should be pointed out.

Identification and assessment of general crisis triggers and sources of vulnerability

At a second stage, the Assessment should describe what type of objective economic and financial developments, if any, should be considered crisis triggers in the country under assessment (typically a sharp fall in the price of an important export commodity, a currency crisis due to loss of foreign exchange, an increase in real interest rates at home or abroad, negative political developments or a sharp rise in unemployment). The possible scope of different types of crises, classified by source, can then be described and discussed. For example, the Assessment should determine whether a crisis caused by some or another event would be limited to a sector or type of firm or household, or whether it would be economy-wide. Using aggregate indicators, a matrix identifying possible crisis triggers and their potential impact on the economy may be constructed. If feasible, a table ranking different types of crises according to source, potential severity and likelihood of occurrence may also be included in the Assessment.

At this stage, there could also be a discussion of the role of confidence and expectations, domestic and international, on the likelihood and potential impact of a crisis. The recent evolution of confidence and expectations should be discussed, preferably making use of economy-wide surveys on business and consumer confidence, published indices of business and consumer confidence, analysis of forward looking press releases and statements from leading national businesses, and public and private sector projections on economic performance. Tables and charts describing the evolution of business and household confidence and expectations, and indices of national and industrial performance projections, should be included in the Assessment.
The Assessment should highlight negative trends in these indicators, benchmark against comparable contemporaneous indicators in other countries, and against projections of the country’s economic performance.

The first and second stages of an Assessment of the Financial Vulnerability of the Non-Financial Private Sector could be said to be more or less standard in the analysis of country risk, except perhaps that greater emphasis is placed on the non-financial private sector than in usual country risk assessments. Subsequent stages focus increasingly on issues that arise specifically in an analysis of the financial vulnerability of the non-financial private sector. Naturally, linkages to the financial sector are of paramount importance in this type of analysis, but there is a need to keep in mind that unlike in an assessment of the vulnerability of the financial sector, the focal point of this type of Assessment is the non-financial private sector.

Assessment of short-term funding practices and cash-flow management

At a third stage, the Assessment should describe and discuss the usual funding practices of the non-financial private sector (or, more generally, the usual ways that non-financial private agents incur liabilities of any type). Ideally, a table or matrix should be prepared, with breakdowns of exposures by type of financial instrument and by type of firm or household. In this table or matrix, the types of firms that have displayed unusual patterns acquiring certain types of liabilities in recent times should be highlighted. If possible, some rationale behind such unusual patterns should be discussed.

Following this step and for the purpose of identifying whether or not vulnerability is increasing, the Assessment should seek to identify whether or not businesses and households are modifying their funding practices or structuring their short-term liabilities in unusual ways. This may be a sign of increasing financial stress. Examples of unusual practices may include continuously rolling over short-term or seasonal borrowings, in ways significantly different from historical practices. Another manifestation of increasing financial stress is an increase in short-term borrowing at unusually high rates and “punitive” terms. Should the Assessment identify widespread changes in funding practices or the structure of liabilities, evidence of sector, group or geographic concentration of any such developments ought to be presented. If high incidence of abnormal funding practices or liability structuring is identified as an issue, that may be signaling an increase in the financial vulnerability of the non-financial private sector and the Assessment should also seek to identify what indicators and mechanisms exist in the country that would facilitate forward-looking monitoring of vulnerability. In addition, evidence should be collected that may suggest that businesses and households are facing or may in the near-future begin to face abnormal cash flow situations.\(^{2}\) Moreover, an

\(^{2}\) For the household sector, sharp rises in debt-servicing to disposable income ratios may indicate an increase in vulnerability. Moreover, high or rapidly increasing correlations between household (or group of households) propensity to be unemployed and relative level of indebtedness, are also indicators of financial vulnerability.
effort should be made to find out if and how are banks and other financial intermediaries addressing these issues.

Assessment of liability and risk management policies, systems and practices

A fourth step in the Assessment would investigate the usual process in the country of interest whereby a business chooses to incur a liability. Benchmarking against well-established practices in developed countries, the Assessment should identify any widespread weaknesses in the decision-making process and the management of corporate liabilities. Some discussion of the adequacy of general corporate governance practices, with particular emphasis in risk management practices, may be included as a box or annex. Of particular relevance to an assessment of financial vulnerability is whether or not the board of directors (or senior management) of relatively large businesses typically adopts a liability portfolio and risk management policy. Evidence of this type of policy may be collected through discussions with company officials and specific questions on the existence of restrictions on the level and type of liabilities that may be held by a corporation should be asked. Examples of the type of policies that need to be “uncovered” include the setting of ceilings on exposure to contingent liabilities or on ratios of short-term debt relative to aggregate liabilities or capital. Effort should be made to establish whether or not company policies and guidelines are in fact routinely observed. Signals of distress or financial vulnerability could be inferred, should liability portfolio and risk management policies: (a) be totally absent; (b) be routinely ignored at the operational level; (c) become unusually relaxed; or (d) be breached with unusual frequency.

Assessment of relationship-management with creditors

At a fifth stage, the Assessment would seek to establish and evaluate the typical pattern of interaction between non-financial private sector entities and their counterparts in the financial sector. Evidence should be gathered on what is generally the nature of the relationships between banking institutions and other financial intermediaries, and their customers. Some description should be included in the Assessment of what the basis for the relationship is. Do businesses generally have explicit policies on relationship management with their creditors? And if so, is there evidence that such policies are routinely implemented? Are there usually ownership or control links between creditors and debtors? What is the incidence of connected lending, economy- or sector-wide? Another important element in the assessment of relationship management between businesses and their creditors is the degree of observance of loan covenants. Are loan covenants: (a) totally absent or trivial; (b) routinely ignored by one or both parties to the agreement; (c) become unusually more relaxed in recent times; or (d) being breached with unusual frequency in recent times? Evidence that loan covenants are becoming unusually lax or that they are being breached with unusual frequency may point to an increase in the financial vulnerability of businesses and households.
Assessment of signals from arms-length reviewers of businesses financial health

The Assessment should also include a discussion of the role, if any, of independent reviewers of the financial health of businesses and households. For example, a matrix could be developed, benchmarking the typical practices in the country of interest regarding the role of independent credit rating agencies against usual practices elsewhere. Moreover, there should also be a discussion on the role and evaluation of the credibility of credit-rating agencies, corporate and market analysts, the press and other entities that may provide useful assessments of the financial vulnerability of the private sector. Following an assessment of the role and credibility of these independent reviewers, there should be a discussion of the types of comments and signals being produced by them with regard to the financial vulnerability of the private sector. Are worries about the financial health of households or businesses being expressed with unusual frequency in the press or analytical newsletters on the economy? Are credit-rating agencies announcing downgrades or the possibility of downgrades beyond the normal rate? If there is evidence that unfavorable credit migration is taking place with unusual frequency, it is suggested that a table or matrix be constructed to illustrate key patterns in the evolution of the perceived creditworthiness of households and firms in the country, highlighting any sector or geographic concentrations.

II. Assessment of vulnerabilities arising from the framework for the restructuring of the non-financial private sector

The financial vulnerability of households and businesses may increase if rigidities in the framework (institutional, regulatory or otherwise) for the restructuring of their liabilities impede or hinder the timeliness and effectiveness of liability management and restructuring. Any concerns about vulnerabilities already identified in the first section of the Assessment should become even more pressing if it is found that the non-financial private sector is operating in an environment where it would be very difficult to restructure financial liabilities.

General impediments to the design and implementation of liability restructuring programs

Initially, the Assessment should establish whether or not leading private sector enterprises have the internal capacity to develop their own liability restructuring programs, or at least, that they can have access to the requisite skills to facilitate a restructuring. Consideration should be given to any important sectors in the economy that may deserve special attention (as in the case of SMEs, for example). Any fiscal treatment impediments to the restructuring of private sector liabilities should be identified and if possible, comparisons be made with other countries. In terms of the nexus between businesses and households, and the regulated financial sector, the Assessment should identify any regulatory barriers to the implementation of liability restructuring programs, e.g. in terms of asset classification regulation, loan-loss provisioning and accounting rules.
Use and effectiveness of collateral as an instrument to facilitate financial restructuring

As part of the Assessment of the framework for financial restructuring, it is important to establish whether or not it would generally be possible for businesses to provide additional collateral given their existing liabilities. Is there enough eligible collateral “slack” in the economy? The Assessment should also seek to identify whether or not there are binding restrictions to the provision of collateral that could be removed through legal, regulatory, or administrative reform—so as to increase the economy’s effective collateral “slack”. In terms of information on collateral, it would be important to assess whether it is possible to establish with reasonable ease that any additional collateral that could be offered by debtors to facilitate liability restructuring is encumbered.

The effectiveness of collateral in facilitating the financial restructuring of firms and households strongly depends on the degree to which it effectively offers some security to creditors. An offer to provide collateral so as to facilitate the restructuring of financial liabilities would lack credibility if it is known that seizure and liquidation of collateral would be close to impossible. The Assessment should seek to establish what constraints (legal, regulatory, administrative, political or other) could hinder the effectiveness of additional collateral as a tool in the financial restructuring of firms and households. Moreover, since capacity to liquidate collateral is also important, an assessment should be conducted of the size and liquidity of markets to facilitate liquidations. If any types of collateral pose particular issues (e.g. land or real estate in general), these should be discussed in the Assessment.

Use and effectiveness of guarantees and fresh funds in financial restructuring programs

Guarantees offered by banks or corporations may sometimes be used in the financial restructuring of troubled businesses. However, there are often barriers (legal, regulatory, administrative, political or other) to the use of guarantees. The Assessment should establish the potential scope for using guarantees as one more instrument for the financial restructuring of firms (and possibly households). There should also be a discussion of the types of guarantees that pose special issues as well as of the likely sources and creditworthiness of providers of guarantees.

An important issue from a public policy perspective is the availability of public guarantees or the existence of public “capital funds” that may play a role in assisting troubled businesses. The Assessment should provide a full description of such public instruments, particularly of how they are structured (e.g. are they provided by the government ex ante or ex post?), what type of mechanisms are available (e.g. exchange rate guarantee programs), and whether they are permanent, temporary or contingent mechanisms. Moreover, there should be a detailed discussion of who has access to them and under what circumstances. An assessment should be

---

3 Households may have unemployment insurance policies (private or public) that may be taken into account in the restructuring of their financial liabilities at times of distress. These may play a role similar to a guarantee.
made of the incentive structure that arises from these publicly provided mechanisms, and more specifically, of whether they are more likely to facilitate or instead delay restructuring. Furthermore, are there any moral hazard issues that should be discussed with relation to public guarantees or the provision of capital funds? Are there certain firms or industries deemed to be “too big to fail” and likely to receive extraordinary support from the public sector? A detailed discussion of these issues could be provided, perhaps in a box or annex, with specific details on the perceived degree of efficiency of public mechanisms (guarantees, capital funds, exchange rate support schemes, and others) from an economic point of view.

Another aspect that should be discussed is the availability of additional equity capital at times of distress. Are current shareholders willing to accept fresh equity from other parties, including foreigners? Are there any constraints (legal, regulatory or otherwise) to certain types of capital injections (e.g. restrictions or ceilings on foreign ownership)? The Assessment should link the discussion to the degree of development of domestic capital markets as well as the external constraint (access to international capital markets). A matrix may be designed to highlight any special issues regarding equity capital injections, by type of firm, industry or geographic area. A related topic is the extent to which creditor institutions would be willing to accept, or may even arrange for joint ventures or fresh capital contributions, to assist distressed businesses. Finally, there should be a discussion of whether or not financial institutions would be willing and capable of injecting fresh funds (e.g. working capital) and under what circumstances.

**Linkages between financial and operational restructuring**

One important determinant of the environment for the financial restructuring of businesses and households is the extent to which creditors are willing and capable of working with debtors to define the nature of the problems and consider alternative solutions. Is there any evidence that financial institutions and creditor groups possess the willingness and capacity to do so? Moreover, operational restructuring may often be tied to the financial restructuring of firms. Is there any evidence that firms would normally be able to develop operational restructuring programs, working together with their creditors? What is the likely role of labor in defining and implementing operational restructuring programs? Would total or partial employee ownership programs be viable and acceptable to all parties concerned? Can it be said that any sectors or firms face special impediments to the design and implementation of restructuring programs? (e.g. in the case of SMEs or SOEs). In this context, would it be normally possible to arrange for the sale of assets or even of a full operating company to a third party, as part of a restructuring program? What would be the fiscal implications of this type of action? Does competition law-policy give rise to any special considerations in the operational restructuring of firms?

In the context of the operational restructuring of a business, what is the expected role of incumbent management? Do creditors or shareholders have the power to effectively influence and if necessary, remove incumbent managers in the process of restructuring a distressed
corporation? Is there any evidence, anecdotal or otherwise, that incumbent management would pose a threat to the restructuring of businesses in certain circumstances?

**The legal framework for business and household restructuring**

A powerful determinant of the quality of the environment for the restructuring of businesses is the legal framework and practices dealing specifically with bankruptcy, restructuring, and liquidation of firms and assets. The Assessment should describe in detail the nature and characteristics of the **formal bankruptcy mechanism** in the country under study. A matrix highlighting key aspects of formal bankruptcy mechanisms should be constructed, benchmarking against other countries in the region, at similar levels of development, and perhaps one or two developed countries. How developed is the legal framework for bankruptcy? Has it been used frequently, if at all? What is the nature of existing precedents?

Other aspects that should be assessed include the attitude of households, businesses and creditors towards bankruptcy. Is it stigmatized or seen as a necessary complement of market mechanisms to redeploy resources to their highest-valued uses? If relevant, do the courts or administrative agencies in charge of handling bankruptcy cases have the capacity to administer several large cases at once? Can they handle many small cases in parallel? Should judicial or administrative bottlenecks be expected, in case a large number of failures occur simultaneously in the country? And what can be done to overcome these bottlenecks? Finally, an important issue that is often overlooked is the availability of human capital to handle bankruptcy cases—are there enough trained professionals to handle several large and complex bankruptcy cases in this country? If not, are there any mechanisms that would make it feasible to bring foreign professionals to assist with bankruptcy proceedings should there be a need?

Should bottlenecks be expected in formal restructuring, bankruptcy and liquidation procedures, **out-of-court restructuring** may act as useful pressure valves at times of stress. Are there formal or informal mechanisms for out-of-court restructurings? Are these mechanisms sponsored by the private sector or by some government agency? Have these mechanisms been tried in the past and found to be effective? If so, can any patterns be identified in the usual outcomes of such mechanisms? Should these mechanisms have failed, is it possible to identify any patterns or reasons for failure? The Assessment should also discuss what happened after out-of-court mechanisms were used and exhausted—were issues left unresolved or was there a migration to other types of formal or informal restructuring? Are there any qualifying criteria to participate in out-of-court restructurings, or do all sectors and firms have equal access to such mechanisms? What is the role of labor in the implementation out-of-court restructuring mechanisms?

Finally, **protection against fraud and corruption** by management or owners in the context of troubled businesses, or by households or persons, is a key element of the framework for financial restructuring. Adequate safeguards against fraud may increase the confidence of creditors and investors, foster the emergence of mutual trust and thus facilitate access to fresh
funds and possibly allow for more creative forms of restructuring. However, in countries with inadequate safeguards against fraud, trust between all parties concerned may take longer to develop (or not develop at all), thus increasing the economic costs of restructuring. The Assessment should discuss key issues surrounding fraud and corruption in the context of business and household restructuring. Should fraudulent transactions take place, are there provisions that would allow “to legally turn the clock back” (or “claw-back” provisions) to undo damage to creditors and other interested parties? Are there any issues with property and corporate registries that should be discussed in the context of a financial restructuring?

Special issues relating to foreign creditors and debtors

The Assessment should discuss extensively any special considerations that must be given to situations that involve foreign debtors, creditors or mediators (e.g. ICSID)\(^4\), liabilities issued in foreign currency or incurred in foreign jurisdictions (e.g. in offshore markets), or where foreign actors (governments, corporations, international organizations) would be expected to be involved.

SUMMARY OF LINKS TO VARIOUS PUBLIC POLICY AREAS

It is recommended that a table or matrix of links between financial restructuring of the non-financial public sector, and various areas of public policy, be included in the Assessment. Key areas to be included in the table or matrix include fiscal policy, financial and sector regulation, capital markets regulation, competition law-policy, public standards regarding corporate governance, foreign ownership and investment policy, foreign exchange and capital flows policies, as well as any other areas of public policy found to have an impact on the restructuring of the non-financial private sector.

POLICY RECOMMENDATIONS

The Assessment should provide a general outline of suggested public policy reforms. At the very least, a table or matrix should be presented, describing in general terms priority areas for action. Where legal, administrative or regulatory reform is required, a list of instruments to be reformed should be included and some notion of the principles for reform already be spelled out. If it is found that new institutions need to be created, general principles for institutional design should be included in the Policy Recommendations section. However, the Assessment is not a substitute for more detailed technical assistance on specific matters, so that enough room should be left for adapting policy recommendations to specific country circumstances and conditions.

The Assessment should include a preliminary description of the type of support that the country would need to improve the framework for the restructuring of the non-financial private sector. Where appropriate, there should be a discussion of some of the instruments that the

---

\(^4\) The International Center for the Settlement of Investment Disputes,
Bank and other international organization may have that could support the type of reforms already discussed. Some overall estimate of cost of providing support to the country may be included, keeping in mind that any such estimates are only preliminary.

USEFUL REFERENCES


DECLERCQ, EDDY, "The Concept of Public-Private Partnerships", Terra et Aqua No. 75, June 1999


ENGEL, EDUARDO et al, El Programa Chileno de Concesiones de Infraestructura: Evaluación, Experiencias y Perspectivas, Chapter 6, La Transformación Económica de Chile, Centro de Estudios Públicos 2001


GUGLER, KLAUS et al, "The Impact of Corporate Governance on Investment Returns in Developed and Developing Countries", The Economic Journal, 113 (511-539), November 2003.


KLEIN, MICHAEL, "Transactions Costs in Private Infrastructure Projects-Are They Too High?", Public Policy for the Private Sector No. 95, October 1996.


