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In recent statements to reporters, Eduardo Modiano, president of the National Economic and Social Development Bank (BNDES), said the sale of 26 state-run companies has been delayed result of regulations established by the national congress. BNDES is supervising the privatization. Among requirements established by the congress are the services of 78 consulting and auditing firms. Evaluation has been completed for seven firms, to be sold within the next few months. Modiano said the Minas Gerais Iron and Steel Company (USIMINAS) will be the first to be placed on the auction block since it is the most efficient of nine state-run steelworks. Other companies to be sold in the first phase of the program include the Tubarao Iron and Steel Firm, Piratini Fine Steel, GoiasFertil Fertilizers, and the MAFERSA company. The bank official said some companies are doing well but are difficult to sell since they have incurred huge debts. BNDES, he added, is negotiating debt reduction with respective creditors. Modiano said privatization would help reduce Brazil's debt to domestic and foreign creditors. Part of the debts can be swapped for shares in companies at a 25% discount on face value. The bank president pointed out that in the secondary market, Brazilian debt paper is selling at a discount of up to 70%. Foreign investors can buy up to 40% of capital stock with voting rights, or common stock. Modiano said that since Brazilian law does not clearly state if this 40% refers to the company's entire capital or only that to be sold, BNDES will limit it to the part up for sale "to prevent clashes with the national congress." (Basic data from Inter Press Service, 05/22/91)

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