Israel's privatization chief Yaron Jacobs, director-general of the Government Companies Authority, believes he has been successful in the past 14 months, given global conditions and a Palestinian uprising which has deterred investors. Six companies have been sold since October 2000 and a further two small firms will soon be put on the block.

"I think our performance in the past year or so is rather impressive given the conditions," Jacobs said. "It's not just the price (received for the holdings) that's important, it's also about moving the privatization process forward." Jacobs said the state hoped to receive $1.2 billion-$1.45 billion for the sale of Bezeq which should be completed by September 2002.

He said he is also working on the sell-off of the state's 49% stake in shipping firm Zim Israel Navigation Co, which would likely be finished by February next year and would bring in around $200 million.

"In addition, Prime Minister (Ariel) Sharon requested Transport Minister Ephraim Sneh earlier this month to submit proposals within three months for the sell-off of the state's 100% ownership in El Al. I believe Sharon is very serious about moving privatization forward and with support from the top the situation can move ahead," Jacobs said.

**Further difficulties**

Yaacov Sheinin, head of the Economic Models consultancy, says the prices the government would receive for its assets, particularly Bezeq, Leumi and Israel Discount Bank, are so low that it should sell them to Israeli mutual and pension funds via the Tel Aviv Stock Exchange. The markets are so low that the government will not want to sell at current prices," Sheinin said. "These companies belong to the people and at least selling them on the local market would give Israelis a way to get their hands on them."

Meanwhile, telecoms analyst Avshalom Shimi of Investec Securities believes the Bezeq sale could yet be derailed due to bureaucratic obstacles.