PRIVATIZATION OF STATE-OWNED ENTERPRISES

RWANDA

REPORT BY

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I. PURPOSE OF THE PROJECT

The purpose of this project is to have a general overview of the environment in Rwanda for the possibility of privatisation of its state-owned-enterprises (SOEs).

From this two-week reconnaissance trip, interviews with government officials of Rwanda have been conducted in order to determine the commitment and the readiness of the Government of Rwanda (GOR) as the potential seller of the SOEs. Interviews have been conducted also with some potential buyers in order to determine their interest in the SOEs. For this buyer group, foreign and native private businessmen, bankers and representatives of international donors are included. Finally, interviews and site visits of selected SOEs have been undertaken in order to determine the commitment and readiness of the managers of the SOEs. A list of the interview sample is shown in the Appendix section.

II. SCOPE OF WORK

Based on the contract with the Center for Privatisation and the inputs from USAID in Washington DC and in Rwanda, the following areas have been covered:

1. GOR readiness
2. Economic and legal environment
3. Business climate
4. Financial market
5. US influence
6. Selection criteria
7. Terms of reference for an in depth study of this question of privatisation in Rwanda as a follow up.
8. List of SOEs

Because it was only a two-week reconnaissance trip, data on the above items is not in any way exhaustive. This report serves only as a stepping stone for the follow-up in-depth study in the next phase as shown in the terms of reference section.

III. EXECUTIVE SUMMARY

A. GOR READINESS

GOR Commitment: The GOR seems to be commited at the top level as shown by the statements made by the President in his speeches about privatisation as well as by the eagerness of the Ministers and their General Directors to study the possibility of privatisation of their SOEs. The apparent problem is that people at the lower level of the government are not well informed about the matter.

Personnel Resources: The GOR does not seem to have the personnel needed in order to carry out the tedious task of privatisation.

Recommendations: Awareness development is a must among the ministries. This is a kind of public relations program to get the involved parties informed and to get used to the idea of privatisation. Such program would help to reduce the possible resistance to privatisation merely due to the lack of knowledge on the benefits of privatisation.

A joint committee or task force could be formed with the participation of all the parties involved such as the GOR officials, the businessmen, the directors of the SOEs and the representatives of the international donors. The existing Chamber of Commerce could be used for this purpose in order to save resources. This task force is mandatory in order to have a permanent body to take care of the privatisation effort on a full time basis rather than an ad-hoc way.

The laws on price control, income taxes and others which have an impact on the confidence of the potential buyers of the SOEs need to be revised to provide more incentives to the development of the private sector.

B. BUSINESS COMMUNITY INTEREST

Interest: All the foreign and local businessmen interviewed are interested in buying certain SOEs such as the SONAFRUIT, Air Rwanda, National Printing, Transportation International (STIR) and Electrogas. All local bankers and representatives of the international donors interviewed are interested in providing seed money for the initial equity participation with the intention to transfer gradually the stock ownership to the local investors later on.

The business community would like to see more information on the SOEs in order to make the decision. Also, there is concern about the investment laws, the price control and the income tax laws.

All the people interviewed are interested in helping the joint-task force in the privatisation effort.

Recommendations: Once the GOR has decided on the SOEs to be privatised it is necessary to have prospectus distributed to provide more information about the target SOEs. Also, participation of the business community in the task force for privatisation is a must in order to have a balanced view of the process. Maybe this is the time to make the Chamber of Commerce an autonomous body in order to provide a home for the private business community.

C. STATE-OWNED-ENTERPRISES READINESS

Commitment: The management of the SOEs interviewed does not seem to be interested in the privatisation. Apparently, there is a fear for job loss at all levels.

Recommendations: An awareness program must be developed in order to inform the employees of the SOEs about the benefits of privatisation.

To address the job insecurity problem the mixed-enterprise form of privatisation seems to be the solution because ownership by the GOR still remains but without participation in the management of the firms. Efficient employees will be kept and the inefficient ones will be phased out and transfered into another place adequate to their skill levels. This is one important area of the privatisation process that the GOR needs to plan carefully so that no massive layoff will take place causing possible social unrest.

The mixed-enterprise form of privatisation is also attractive to the GOR because it still owns part of its milk cow and the reluctance to lose control of the business is overcome. Finally, the current profitable SOEs are in the form of mixed-enterprise and politically it is necessary to have successful privatisation proven by profitable privatisation.

IV. COUNTRY ASSESSMENT

This section on country assessment follows the format provided by the Analysis Group as shown by its Country Privatisation Checklist attached in the Appendix. Because this is a reconaissance trip, only a brief comment on each item is covered below.

A. HOST GOVERNMENT

1. Top Level Commitment: There is high commitment at the top level of the GOR as indicated by the President's speeches which always contain the concept of privatisation. The GOR commitment is also shown by the creation of the Interministry Coordination Committee (CIC) to look into the feasibility of privatisation of the SOEs.

2. Enunciated Policy: There is no enunciated policy yet because the CIC is still evaluating the feasibility of privatisation. Once the benefits of privatisation become convincing enough to the GOR then a policy will be enunciated.

3. Power to Implement: The power to implement is located at the Ministry of Finance & Economy (Minifineco) and at the Ministry of Industry (Minimart).

4. Mid/Lower Level of Commitment: The mid/lower level of the GOR does not seem to be well informed about the activities being taken for privatisation except what it is learned from the President's speeches.

5. Accessibility for Dialogue: The GOR seems to be accessible for dialogue because it is interested in the concept of privatisation and is willing to listen and to learn for itself about the benefits of privatisation.

6. Awareness/Availability of SOEs Costs: The GOR is aware of the subsidy burden of the SOEs because it has the statistics on the subsidies and decided to terminate them at the end of 1984 by decree. Before the decree the subsidies went from RwF876 million to RwF1.6 billion approximately between 1982-84.

7. Private Sector Influence on Policy: The influence seems negligible as shown by the insignificant role played by the Chamber of Commerce and by the view expressed by the businessmen during the interviews.

8. Open vs. Managed Economy: There are flows of merchandises, services and capital between Rwanda and other countries but certain tariffs and the 100% import deposit requirement introduced in 1983 to remedy the balance of payments deficit tend to discourage certain trades.

B. POLITICAL & ECONOMIC ENVIRONMENT

1. Legal Barriers to Privatisation: The most important barrier is the price control which interferes with free market pricing and distort the allocation of resources. Another barrier is the excessive personal income tax which forces the private firms to pay to the managers much more than they should in order to compensate them adequately on an after-tax basis. The vagueness of the investment codes also discourages privatisation because the potential buyers of the SOEs do not know what to expect.

2. Economic Stability: According to the IMF Recent Economic Development report of 1985 the real GDP rate of growth of Rwanda has dropped from 4.9% in 1980 to 4.0% in 1982 and 2.9% in 1984. The causes of the economic decline have been an increase in government spending and imports coupled by a drop in the prices of tea and coffee which constitute an important portion of the Rwandan production and exports. The per capita income was $270 in 1984. The inflation rate was 6.3% in 1983. The exchange rate was RwF87.9 per US dollar in March 1986.

3. Political Stability: The GOR has been the most stable in the area. The country received its independence in July 1962. There is only one political party called the National Revolutionary Movement for Development (MRND). There are 3 ethnic groups: the Hutu constitutes 85% of the 6.3 million inhabitants, the Tutsi takes 14% and the rest is the Twa.

4. Unemployment Level: Unemployment is a major concern because Rwanda is the most densely populated country in Africa according to the World Bank report on The Manufacturing Sector of Rwanda of 1985 with 210 inhabitant/square km and above 400 on cultivated land. Over 90% of the population is employed in agriculture which accounts for 47% of the GDP. With a population of 5.5 million, 2.6 million are employed in 1978 (the latest available statistics).

5. Physical Infrastructure: Transportation is the major problem for Rwanda as a land-locked country far from the nearest seaports causing high imported input cost. Rwanda's domestic transport system consists mainly of a network of 6,000 km of roads and tracks and a few airports without railways and only very few limited water transport in the country.

<u>6. Parastatal Share of the Economy:</u> There is a total of 80 to 100 firms with more than 30 employees and some 20 are SOEs. Between 1977-81, out of 22 industrial projects completed 13 were SOEs. In terms of value added SOEs generate about one third of the modern manaufacturing sector's value added.

<u>7. Reason for Parastatal:</u> The increase in SOEs was due to the desire of the GOR to control firms with national interest, the necessity to invest in projects which do not attract private investors and to promote employment.

C. BUSINESS CLIMATE

<u>1. Role of the Informal Sector:</u> This sector contributes around 60 to 65% of the total industrial sector value added. Please note that the statistical data base for the industrial sector is weak. Modern manufacturing is planned to grow at a real rate of 8.4% a year while the informal sector is assigned a less ambitous growth target of 3.6% per year.

<u>2. Management Entrepreneur Pool:</u> There is a serious lack of managerial pool due to low literacy rate and poor business management curriculum at the university. Only 2% of the active population have gone beyond primary school and 0.07% have a university degree of which very few go into business management.

<u>3. Permit to Start and Expand Business:</u> Although it takes a while to get a permit approved like in most developing countries, the permit in itself is not a problem but it is the procedure for the processing of the applications for the qualification of the advantages of the Investment Codes which is confusing. Approval of the applications are inconsistent. Furthermore, the responsibility for the administration of the codes is not clearly defined since 1979 when the Ministry of Finance and Economy was split into the Ministry of Finance and the Ministry of Economy and Commerce.

<u>4. Freedom to Hire/Fire Personnel:</u> The Ministry of Civil Service and Vocational Training (Ministere de la Fonction Publique et de la Formation Professionelle) controls the labor market and fix minimum wages and salaries for different skill levels. Upon the request of the SOEs to hire, the Ministry sents a list of candidates for test and selection. Firing must show cause after the probation period of 3 months. Any firing of more than 10 employees must be approved by the Ministry.

5. Parastatal Preference/Obstacle to Competitors: SOEs definitely do have the monopoly in the market. They also had the advantage of subsidies from public funds or bilateral aid until 1984. Since 1984, the SOEs have to compete with other private firms in getting fund from the banks and especially from the Rwandan Development Bank (BRD). Another advantage the SOEs have is the income tax exemption.

6. Tax Climate: Corporate income tax starts at 20% for the first RwF250,000(US$2,550) up to a maximum of 50% for profit in excess of RwF2 million. All companies also pay 3% on their capital invested. Personal income tax is prohibitive for high income reaching 80% of the 115% base computed from the salary in order to reflect the housing subsidies if provided. Exports of manufactured goods are subject to a 10% export duty.

7. Accounting/Audit Skill: OCAM (Organisation Commune Africaine & Mauritius) is the accounting system used. It is also a double entry system but the lay-out of the financial statements is different from the US GAAP (Generally Accepted Accounting Principles) system. The sophistication of the financial statements varies with the size of the firm and with the ownership the firms. Large firms tend to have a better bookeeping than smaller ones. Family owned firms tend to have only books to record receipts and expenses.

8. Other Donor Presence/Support: Assistance from other international agencies dropped from US$52.8 million in 1982 to 39.6 million in 1984. The major donors have been the IDA, AFDB and UNDP. Bilateral official development assistance comes from Belgium, Federal Republic of Germany and France beside the US. Loans and grants are also available from the OPEC, the USSR and China.

D. FINANCIAL MARKETS

1. Financial Markets: There is no organised financial markets per se and the sources of capital for investment come from individuals, business firms and financial institutions. Rwanda has the Central Bank (BNR), three commercial banks (Banque Commerciale du Rwanda, Banque de Kigali and Banque Continentale Africaine-Rwanda-BACAR), a network of cooperative banks (Banques Populaires), one saving association (Caisse d'Epargne du Rwanda), one mortgage bank (Caisse Hypothecaire) and a development bank (Banque Rwandaise de Development or BRD). It is not unusual to see one firm with equity holdings in 5 other firms.

2. Terms of Financing: Equity participations by banks in business cannot exceed 10% of the bank networth and 20% of the capital of the firm. Because of the short-term nature of the resources, commercial banks cannot engage in long-term lending (4 years or more) without the authorisation of the BNR. The BRD is the most important source of long-term fund, accounting for 72% of the total in 1984.

3. Significance of Non-Bank Financial Institutions: The mortgage bank and the saving association are not very active yet in the long-term financing.

4. Availability of Local Entrepreneurial Capital: It is difficult to assess the real availability because it is typical for the rich to hide their real wealth. Note, however, that all the interviewed businessmen are ready to invest into the attractive SOEs for sale but all also would prefer some help from the banks.

5. Foreign Investment Interest/ Restrictions: The interest is really strong among the Kenyans and the Europeans. Right now there is only one American who is in the tea business. The major restrictions are the visa requirement to be renewed every year and the personal income tax on expatriates which is too high.

E. US INFLUENCE

1. Conditionality Opportunity for Leverage: The GOR needs for help in terms of finance and management represent the opportunities for US influence. Financing seminars/symposium for awareness development on privatisation and management training are good starts in the short run. In the long run, to send some Rwandans to the US for business administration degrees and having faculty exchange between universities are advisable. Visits by GOR officials in countries with successful experiences with privatisation is a must.

2. AID Mission Support: Direct participation in the joint task-force for privatisation would be a great support. This could be done by an extension of the present Commission Mixe de Privatisation which includes USAID and the CIC discussed earlier. The development of an equity participation fund by the USAID is an attractive alternative.

3. Embassy/Commercial Officer Support: Based on the interview with the commercial officer it seems that there is strong interest and intent of support from the US Embassy.

V. CRITICAL ISSUE: CRITERIA OF SELECTION

A. INTRODUCTION

Privatisation of state-owned-enterprises (SOEs) in many developing countries has encountered successes as well as failures and often the common cause of failure has been the lack of careful preparation.

One step of preparation is the determination of the criteria of selection of the SOEs to be used. It is the purpose of this section to review some of the major criteria used in many countries and the selection process.

B. THEORETICAL FRAMEWORK

Because privatisation is and should be an integral part of the industrial development plan and therefore, is part of the economic development plan, the listing of the criteria of seletion of SOEs is based on the macroeconomic model as follows:

$$GNP = C + I + (G - T) + (X - M)$$

Privatisation will affect directly the business investment variable (I) and therefore, the GNP but there will be short run and long run ripple effects among the other economic sectors as well. For this reason the selection process must be made within this macroeconomic framework often refered as the Keynesian theoretical model used in most countries. Please note that the linear programming methodology of analysis used in certain instances by the GOR for project analysis does not preclude the reliance on this model (especially when linear programming is not a suitable tool for criteria of selection determination). As a matter of fact, the GOR has relied also on the Keynesian model in the 1985 "Plan d'Assainissement".

C. LIST OF CRITERIA

The government of a country should examine the following list of criteria just like a shopping list before deciding which one to use. The criterion used could be in aggregate form like the economic sectors or it could be based on pure microeconomics factors at the level of the enterprises and the market forces.

1. AGGREGATE CRITERIA

a. Gross National Product Criterion (GNP)

This is the most aggregate criterion to be used in selecting the SOEs for privatisation. Often, GNP is not selected per se when a government privatises a firm without going through a careful selection process because without preparation, the decision to take one SOE for privatisation will end up affecting the GNP one way or another anyway.

GNP should not normally be a criterion to be used except for economic development planning purpose in order to determine the final aggregate effect of the privatisation of one or several SOEs on the whole economy. As a matter of fact, by using GNP as a criterion the Ministry of Plan might want to simulate the privatisation of a given SOE and see for instance the effect on the economy as a whole in comparison with the decision to privatise another SOE instead. This is what is called differential economic analysis.

b. Private Sector Criterion (C + I)

The criterion could be one economic sector to be developed as priority sector for a given economy and in this case it might be the private sector like the USA is doing.

The private sector consists of two major subsectors and the emphasis might be even more precise. It could be the household consumption subsector (C) or the private business investment subsector (I) or both because they are not mutually exclusive.

c. Public Sector Criterion (G - T)

The public sector consists of two subsectors to be considered. The first one is the government expenditures (G) and the second one is the taxes (T).

It is possible that the government wants to increase or decrease G in its next economic plan and therefore, the selection of the SOEs to be privatised will follow accordingly. Suppose a government decides to reduce the amount of subsidies then it might want to reduce its budget for this category and hence, would want to rid of the SOEs which weight the most to the budget burden.

d. Foreign Sector Criterion

Again, the government might want to act on the foreign sector of the economy because it is under the pressure of the International Monetary Fund (IMF) to reduce its balance of payments deficit for instance and therefore, it might choose the SOEs which either could help to reduce imports (M) or stimulate exports.

2. MARKET CRITERIA

In privatisation, it appears that to overlook the market forces mean to fail because after all, in order to be able to sell the SOEs, the government has to find the buyers in the market.

Successful privatisation requires the reliance on the natural market forces of supply and demand with possibly some minor monitoring (and not control) by the government during the early phase to guaranty a smooth transition of ownership of the SOEs without unbearable social and political effects.

The key market forces to use are the attractiveness of the SOEs and the resulting interest which exists among the potential buyers. Note that although the second criterion tends to result from the first, it could be altered with a promotion campaign because it is possible that there are interesting SOEs which are profitable but which are not obvious to the buyers simply due to lack of information. This is often the case in many developing countries due to the normal secrecy found in any government.

The attractiveness of a firm should not necessarily be based on the past performance of the SOEs because quite often past performance was poor due to poor internal management. For this reason, a better criterion to use in the selection of the SOEs for privatisation which attract buyers is the expected earning per share (EPS) of common stock projected up to the end of the economic life of each SOE.

The projected earning per share is the right criterion for stock investment used by rational investors; especially in countries where there is no capital market because those investors tend to place their money for the long terms rather than for the short terms speculation which happens in countries with the existence of a capital market where stock prices fluctuations create opportunities for speculation. In brief, those investors make their decision of investment based on solid fundamental analysis of the target SOE rather than on technical factors.

In case projected EPS is used as a criterion for SOE selection then it is important for the government to prepare the prospectus of each SOE showing its projected EPS based on the projection of realistic market demand. Such calculation is basically a capital budgeting calculation which projects the market demand for each year based on careful market research, the expected sales, the expected costs, the expected cash flows, the expected EPS, the expected payback period, the net present value and the internal rate of return.

3. COMBINED CRITERIA

The criterion of selection could be a combination of any of the above two sets or subsets. This is the most sophisticated criterion because it takes into consideration both the micro as well as the macroeconomic factors in the SOE selection process. It is the preferred one because both the benefits and objectives of the government and of the investors are included.

The technique to compute this criterion of selection is to take the projected cash flows calculated in the regular corporate capital budgeting process discussed above and to adjust the market price with the shadow price. This way, the market distortions such as subsidies or price control or monopoly etc... are eliminated. Shadow prices are normally available at the World Bank with the country desk officer and the basis he uses to compute shadow prices are the border prices. The internal rate of return based on shadow prices is called the Efficient Internal Rate of Return (EIRR). The SOE with the highest EIRR should be selected.

If the government wants to find out about the impact of the sale of an SOE on the income distribution for instance because its goal is to promote employment and income distribution then the social prices can be computed in order to find the Social Internal Rate of Return (SIRR). The social prices are adjusted shadow prices with the marginal utility of incremental income used as weights. The SOE with the highest SIRR should be selected.

In summary, the ideal criterion is the SIRR to be used for the selection of the SEOs for privatisation. Once the SIRR for all SOEs are computed, the government can also group the SOEs into economic sectors and plan the sales of the ones which belong to the sector it might want to promote.

II. RECOMMENDED FOLLOW-UP: TERMS OF REFERENCE

INTRODUCTION

The main purpose of this section is to satisfy the USAID/RWANDA request for the development of the terms of reference to be used during the next phase by the consultants within the context of privatisation under consideration by the GOR and the PRIME project underway. During phase II which follows this reconnaissance trip, the team of consultants should consider the industrial strategy proposed by the Ministry of Industry and the privatisation strategy for which the Ministry of Finance is responsible. Phase II should also relate both of those strategies to the industrial/investment study under PRIME.

This terms of reference section is an integral part of the entire report resulting from the two-week-reconnaissance trip in Rwanda. The earlier sections of this report serves as the background to this terms of reference section. For example, the consultants of phase II should consider the criteria of selection discussed earlier in this report along with the economic development plan of Rwanda in order to determine which criterion is appropriate and hence which SOE should be selected for privatisation.

This section is organized in 3 articulations as specified by the USAID/RWA. The first one covers the place of privatisation within the context of industrial development. The second covers the expected output, scope of work and qualification of the phase II team. Finally, the last gives an estimate of the cost to carry out phase II.

PRIVATISATION

DEFINITION

Privatisation is understood as either partial or total transfer of ownership of common stock shares of firms with public participation into the private hands. If the transfer is partial and the government still owns some equity then privatisation implies that the government does not participate in the management of the firm. Privatisation could therefore, take many forms such as abandonment, divestiture, leasing or even contracting.

SOEs include mixed enterprises where there are the government of the country plus other non-governmental owners such as the local businessmen, the local national institutions, the foreign individual investors, and the international institutions. The level of control within these mixed enterprises varies depending on the percentage of ownership as well as the agreements made between the GOR and the other shareholders.

SOEs include also the parastatals with all-government ownership and control. Please note that in Rwanda the parastatals have their own separate legal entity which allows them to borrow money from the banks while the so-called "public" firms are also all-government owned firms but without a separate legal entity. The later are the ones which tend to rely 100% of their fund from the GOR alone. Normally the balance sheets of these "public" SOEs do not show debt such as the case of OVIBAR. In general, public SOEs tend to be more "social" than "commercial" because they are created to provide goods and services which otherwise are not performed by private firms.

WHY PRIVATISE?

A. Lessons Learned

It is known throughout the world; whether in the developed or in the developing countries, that most public-run firms are not fully efficient and hence are not fully profitable even with a monopoly. Beside, privatisation is necessary not only for the improvement of the public firm performance only but also for the better allocation of resources via the promotion of a free market. For those who are still not convinced please look at France and England or India, Thailand, Congo, Nigeria, etc... In Rwanda, experience has shown that the transfer of the bus and taxi business into the private hands have been a success since 1979.

The simple reason that makes private or even mixed enterprises work better is because if they fail, they have nobody to bail them out. For this reason, everybody has a stake in the business and hence, everybody tries to do the best in the jobs. This does not imply that all private firms are necessarly profitable and hence that privatisation is the panacea. If a government could increase the efficiency, the productivity and the profitability of the SOEs without privatisation then there is no reason why it has to privatise. It all depends on what a government wants to achieve. Note, however that if privatisation could do the same thing as the government then turning the productive activities to the private hands would promote free market competition without the government monopoly and improve the efficient allocation of resources. The ideal is to improve the efficiency of the SOEs first then to privatise them because that way they become more attractive to the potential buyers and the privatisation process would become easier. With the help of the EEC to the Center of Accounting this could be done.

B. Privatisation & Industrial Development

Firms which are efficient and profitable are the ones which contribute the most to the economic development of the country. In a competitive market, an efficient firm implies in general that it manages its internal operations properly. Internal efficiency results from efficient management of the key areas in the firm such as marketing, finance, production, personnel and organisation.

Firms which are profitable are the ones which have the right operation size in comparison with the markets it serves, the right products for the buyers, sold at the right price and place with the right promotion. In other words those firms combine the efficient internal management with the proper external environment.

Privatisation therefore promotes industrial development because of its nominal value added in the short run but also other values in the long run such as the stimulation of investment which results directly from the profit or the development of managerial talents which are one of the key prerequisites to economic development.

For the readers who are economists, successful privatisation would help to develop the business investment variable (I) of the Keynesian GNP function, the private consumption variable (C) because the consumers enjoy more the goods produced to their liking, the government spending variable (G) because of higher revenue available from the higher absolute tax receipt without having to raise the tax rate necessarely, higher exports (X) and lower imports (-M).

It is important that the GOR realizes that successful privatisation would affect the various sectors of the economy and it is a coherent and integral part of the industrial and economic development process which is called "assainissement" in Rwanda.

Going back to the macro-economic model it would help to indicate to our Rwandan counterparts that although the place of privatisation is in the private business investment variable (I) and it is where the impacts would be most obvious in the short run but in the longer run the spillover effects do happen and the impacts tend to be more aggregate than just sectoral.

C. Privatisation Preparation

Although privatisation is only one of the several answers to industrial development, it seems to be the most long-lasting method if adequate preparations are undertaken. Of course, long-lasting results tend to require long and tedious preparations. For this reason, privatisation without enough preparation tends to lead to failure and often, the blame is on privatisation and not on the real cause which is lack of sufficient preparation.

Three important elements to be developed in the preparation are:

1) the development of true commitment by the involved actors of privatisation,

2) the development of an efficient organisation to carry out the long and tedious privatisation effort and

3) the creation of a favorable institutional framework for successful privatisation.

The preparation of the principal actors of privatisation consists of a program of awareness development on the net benefits of privatisation in order to promote acceptance of the concept and full commitment to this task by the sellers, the SOEs and the buyers.

The development of an efficient organization consists of the creation of a permanent task force which composes of all the principal actors of privatisation such as the key government officials, the managers of the target SOEs, the potential buyers and key representatives of donors.

The creation of a favorable institutional framework to privatisation consists of the development of attractive and clear investment incentives, simplification of investment procedures, standardized application and policing of the laws and the development of managerial skills via training and formal business administration education.

TERMS OF REFERENCE

EXPECTED OUTPUT

It is expected that at the end of the second phase of this privatisation project the consultants should have the following reports:

1. Privatisation Climate Report which should contain:

a/ the relevant salient economic data such as the development plan of the country, the subsidies to the SOEs, the economic bottlenecks to privatisation;

b/ the GOR commitment and readiness which include the commitment of the key actors of privatisation, the resources available and needs, the administrative bottlenecks to privatisation;

c/ the state of the SOEs which includes a list of SOEs an evaluation of their performance and a determination of the causes, a market demand assessment of the products involved and the bottlenecks which stem from the SOEs to privatisation;

d/ an assessment of the characteristics of the potential buyers such as a list of potential buyers, their perception of the privatisation benefits and problems, their preference of SOEs as target sales, their capacity in equity participation, the form of their participation, the GOR concessions they would like to have, and the way they would like to be involved in this whole process on privatisation;

e/ the determination of criteria for selection and the SOEs selected for privatisation;

f/ the determination of the appropriate form of privatisation for each SOE.

2. Privatisation Strategy Report which should contain the recommendations for:

a/ the organizational preparations of the principal actors in terms of commitment and resources;

b/ the institutional preparations such as the legal framework and the development of management skills;

c/ the monitoring process and

d/ the adjustment process.

SCOPE OF WORK & QUALIFICATION

In order to achieve the above objectives it is necessary to have the following expertises to take care of the following areas. Please note that it is proposed to carry out phase 2 in three waves. The first wave will have only the economist, the lawyer and the marketing expert in order to assess the feasibility of the whole effort. Once the reports from the experts are carefully digested and some policy dialogue between the GOR and AID has started, with plans of actions defined and complete commitment guaranteed, then wave 2 would come for further research in finance-accounting and in personnel/organization. If wave 2 concludes that the privatisation of the SOEs is feasible then wave 3 will follow. The third wave will consist of the security underwriter to study the informal capital market in Rwanda and design a system to distribute the securities to the buyers. Based on the result of wave 1, a decision could be made as to whether it is necessary to have overlaps between the 3 waves. As of now, it does not seem necessary.

For each wave, if possible, the Ministries could provide the available Rwandan counterparts for the respective consultants in carrying out the tasks described later in this section.

WAVE NO. 1

Economist

Task: a/ to lead the team by coordinating and organizing the overall effort of phase 2, b/ to cover the economic items discussed above in the Expected Output section, c/ to cover the selection of the SOEs for privatisation and d/ to write the synthesis report.

Qualifications: A Ph.D in Economics or Business Economics and Finance with a good writing skill to write the synthesis report from all the team expert reports; fluency in French and experience in Africa required (Rwanda preferred). It is preferred that the team leader is not a local person in order to bring in fresh insights on privatisation which is new to Rwanda in any case.

Time: 6 weeks starting right at the beginning of the project until the end. In case of overlaps in skills such as Economics plus Finance or Economics plus Marketing or any other combinations then it would be 8 weeks with 5 weeks in country and 3 weeks to write the 2 sections of expertise plus the synthesis report.

Business Law

Task: a/ to study the commitment of the GOR and its resources available for privatisation; b/ to identify the key actors in the privatisation effort and the legal bottlenecks to privatisation such as the investment codes, the labor laws, the price control law, the income tax laws, etc...

Qualification: a law degree, French fluency with extensive knowledge of Kigali administrative system and people and some business experience. A local Rwandan is preferred.

Time: 4 weeks starting right at the beginning.

Marketing

Task: a/ to study the characteristics of the potential buyers and their needs in dealing with the GOR in terms of concessions they might want, b/ to make a rough approximation of the capital available to be used for equity participation, c/ to propose a plan for awareness development for the GOR, the SOEs people and the business community and d/ a promotion campaign during the implementation phase.

Qualification: an MBA in Marketing Management with field experience in marketing research in the developing countries with preference in Africa. French fluency is a must for this particular person due to extensive exposure with the locals and due to the primary data nature of his job. A Rwandan should be ideal but probably non-existant.

Time: 4 weeks starting right at the beginning.

WAVE NO. 2

Finance - Accounting

Task: to conduct financial analysis using financial ratios such as liquidity ratios, activity ratios, leverage ratios and profitability ratios with trend analysis and composition analysis in order to be able to help the concerned parties in the selection of the SOEs to be privatised based on hard and solid facts from the micro-economic standpoint within the macro context.

Qualification: An MBA in Finance with knowledge in financial accounting and managerial accounting in order to be able to transform financial statements into managerial formats if necessary from the OCAM system. French is preferred. Africa experience not necessary but desired because he will be working with numbers most of the time.

Time: 4 weeks.

Personnel & Administration

Tasks: a/ to study the organizational structure of the SOEs in order to suggest a plan for reform during the preparation stage of the strategy shown in the Table of Contents and possibly for the longer terms and b/ develop an organization for the joint task force to be formed for the continuous process of privatisation.

Qualification: MBA in Personnel & Business/Public Administration with field experience in the developing countries. French is a must.

Time: 4 weeks.

WAVE NO.3

Securities Underwriter

Tasks: a/ to analyze the performance evaluation obtained from the finance man in order to decide later on about the selection criteria for the target SOEs from the capital market standpoint, b/ to determine the amount of securities to be floated and in which forms and c/ the sketching of the formation of a capital market in Rwanda for the long terms institutional preparation as indicated in the strategy section.

Qualification: an investment banker by profession with experience in capital market formation in the developing countries. French is a requirement.

Time: 4 weeks.

BUDGET

The following budget is based on the maximum need assumption because at the moment there is no data available on the local consultant fees. The figure can always be adjusted downward if local consultants are used or if there is skill overlapping.

Secretarial support, transportation and xeroxing are available at the office of USAID and the translation into French is RwF1,000 per page. Because all of the above costs are variable costs, it is hard to give the exact figure in the budget. The 5% rule of thumb could be used based on the total cost of approximatly $64,000 or $3,200.

Wave I Cost: $33,664

Economist	6 weeks
Lawyer	4
Marketing	4
Total I	14 weeks

Consultant fees	14 weeks x 5 days x $261.30 =	$18,291
Perdiem	14 weeks x 7 days x $80 =	7,840
Air fare	3 persons x $2,311 =	6,933
Miscellaneous	3 persons x $200 =	600
Dollar Total of Wave I		$33,664

Wave II Cost: $19,954

Accounting	4 weeks
Personnel	4 weeks
Total II	8 weeks

Consultant fees	8 weeks x 5 days x $261.30 =	$10,452
Perdiem	8 weeks x 7 days x $80 =	4,480
Airfare	2 persons x $2,311 =	4,622
Miscellaneous	2 persons x $200 =	400
Dollar Total of Wave II		$19,954

Wave III Cost: $9,977

Security Underwriter	4 weeks

Consultant fee	4 weeks x 5 days x $261.30 =	$5,226

Perdiem	4 weeks x 7 days x $80	=	2,240
Airfare	1 person x $2,311	=	2,311
Miscellaneous	1 person x $200	=	200
	Dollar Total Cost of III		$9,977

GRAND TOTAL: $63,595 rounded to $64,000

APPENDICES

LIST OF STATE-OWNED-ENTERPRISES
Ministry of Industry Source- 1985

INDUSTRY	NAME	FORM	PRODUCTS
Agro/Food	1.Slaughter house	parastatal	meat
	2.Rice mill Kabuye	parastatal	rice
	3.Sucrerie Rwandaise	public	sugar
	4.Nyabisindu Milk	parastatal	milk, butter
	5.Etiru mill	parastatal	powder, coffee
	6.Kitabi The	parastatal	tea
	7.Mata The	"	"
	8.Gisakura The	"	"
	9.Shagasha The	"	"
	10.Gisovu The	"	"
	11.Karago-Giciye The	"	"
	12.Pfunda The	"	"
	13.Rubaya The	"	"
	14.Cyohoha-Rukeri The	"	"
	15.Mulindi The	"	"
Beverages	1.SONAFRUITS	public	fruit juice
	2.OVIBAR	public	banana juice & wine, jam, cake
Paper	1.Imprimerie Nationale	parastatal	books,cards
	2.Imprimerie Scolaire	public	school products
	3.Papeterie de Zaza	parastatal	paper, cardboard
Leather	Sodeparal	mixed	leather goods

Metal	Fonderie SOMIRVA	mixed	metal
Chemicals	1.OPYRWA 2.P.U.A	parastatal public	pyrethrine matches
Banking *	1.BRD	mixed	long-term funds
	2.Banque du Kigali	"	short-term funds
	3.Banque Commerciale	"	"
	4.Banque Continentale	"	"
	5.Caisse d'Epargne	parastatal	"
	6.Caisse Hypothecaire	"	long-term funds
	7.Banques Populaires	"	short-term funds
Distribution*	MEGERWA	mixed	clearing house
Transport *	Air Rwanda	mixed	passenger, cargo
	Transport Intern'l	parastatal	trucking

* These SOEs are not shown from the list provided by the Minimart but as indicated by the interviews.

WORK PLAN

Interviews and meetings have been conducted during the 2 weeks in Rwanda. Although many persons have been approached, the following list contains only the people who have provided information on the question of privatisation of the SOEs. The questions asked are based on the items listed in the Scope of Work section of this report.

THURSDAY 03/13/86

1.30 PM — Meet Bruce Lerner and Michael Fuschs-Carsch of USAID/RWA
- Scope of work of DC
- Basic data collection

2.00PM — Meet Mbaguta- General Dir./Ministry of Finance & Economy (MINIFINECO)
- Introduction
- Will meet Finance Minister

4.00PM — Meet Bruce and Melaven Emerson- Director/USAID/RWA
- 7 day week requested
- Report output plan

7.00PM — Introduction to UNDP & Coopers Lybrand for tomorrow meetings

FRIDAY 03/14/86

8.00AM — Meet Bruce
- Meeting lineup
- Data on education

10.00AM — Meet Jim Herne and Dennis DeSantis of Technoserve
- Scope of work interview
- Contact reference
- Target list
- Institutional bottlenecks

12.30PM — Meet Jim Winpenny of Coopers & Lybrand
- Scope of work interview
- Contact reference
- Data on OVIBAR
- Problems

3.00PM — Visit OVIBAR

PM — Data analysis

SATURDAY 03/15/86

7.30AM Data analysis

10.00AM Meet Willy Makelberge of Magerwa (mixed firm)
* Scope of work interview
* Contact reference
* Target SOEs
* Preference
* Problems

3.30PM Meet staffs of Technoserve and Coopers & Lybrand
* Strategy brainstorming
* Criteria brainstorming

SUNDAY 03/16/86

Data Analysis & Planning and Report Drafting

MONDAY 03/17/86

7.30AM Meet Ministry of Industry General Director

10.00AM Meet Barbara of Technoserve on Education/Training & Budget
* Management education assessment
* Local consultants

11.30AM Meet Bruce
* First meeting with GOR feedback
* Progress report
* Appointments

2.30PM Meet Michael
* Progress report discussions
* Scope of work specification request

PM Data analysis and appointments

TUESDAY 03/18/86

7.30AM Data analysis

9.00AM Meet Rabarugira - Economics Consultant
* Local consultant list
* Knowledge in Management

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1.00PM	Meet Dennis DeSantis * Local marketing practice * Marketing problems for SOEs
4.00PM	Meet Secretary General of Finance * Commitment * Readiness

WEDNESDAY 03/19/86

7.30AM	Data analysis
10.00AM	Minimart meeting on phase 2
11.00AM	Si-Ahmed Ovadar/UNDP * GOR commitment * SOEs tagets * Problems
12.00AM	Mr. Jomni- Marketing Manager/GRENARWA

THURSDAY 03/20/86

6.30AM	Meet Haithar Hji Abdi - Millionaire in Kenya * Kenyan investment in Rwanda * References * SOEs interest list
9.00AM	Meet DeGroot - Acting Director for Bank of Kigali * Views on SOEs privatisation * Selection criteria * GOR * Interest in investment * Interest in promotion committee
2.30PM	Meet Melaven for clearance and problems
8.00PM	Mr. Vanhuersch- VP of TABARWANDA * GOR commitment * SOE targets * Problems
PM	Data analysis

FRIDAY 03/21/86

6.00AM Personnel & Finance Managers of Meridien Hotel
* GOR commitment
* Business community interest
* Problems

8.30AM Meet for OVIBAR Debriefing

2.00PM Meet Melaven and all on terms of reference
* TOR presentation
* Feedbacks

3.00PM Meet DeBecker - Director of Continental Bank
Same issues for all bankers from now on

PM Data analysis & drafting

SATURDAY 03/22/86

7.30AM Data Analysis

9.00AM Meet Fritz Falbush - Director of International Dept./ the Commercial Bank of Rwanda (BCR)
* Commitment of GOR
* Target SOEs
* Preferences

PM Data analysis & drafting

SUNDAY 03/23/86

AM Drafting of report & data analysis

1.30PM Meet Laudo Ndasingwa - Restaurant La Fringale
* Investment interest
* Capital availability
* Entrepreneurship
* Target SOEs

MONDAY 03/24/86

8.30AM Meet Bruce
* Terms of reference draft discussions for completion
* Accounting & Finance

12.30PM Meet Karl Hofmann - Economist/US Embassy
* Views on GOR, SOEs and businessmen

2.OOPM	Mr. Habimana- Accountant on OCAM vs. GAAP
PM	Report drafting and finalizing & given to Bruce and Michael

TUESDAY 03/25/86

AM	Typing report for debriefing
2.00PM	Debriefing
6.00PM	At airport

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TABLE I

COUNTRY PRIVATIZATION CHECKLIST

COUNTRY: ____________________

FACTORS	CURRENT STATUS AND TRENDS

A. Host Government

1. Top Level Commitment:
2. Enunciated Policy:
3. Power to Implement:
4. Mid/Lower Level of Commitment:
5. Accessibility for Dialogue:
6. Awareness/Availability of SOE Costs:
7. Private Sector Influence on Policy:
8. Officials' Dependence on Outside Income:
9. Open Economy vs Managed Economy:

B. Political/Economic Environment

1. Legal Barriers to Privatization:
2. Economic Stability:
3. Political Stability:
4. Unemployment Level:
5. Physical Infrastructure (Communications, transport, power, water, etc.):
6. Regulatory Climate:
7. Parastatal share of economy:
8. Reasons for Parastatals:

C. Business Climate

1. Role of informal sector:
2. Management Entrepreneur Pool:
3. Ethnic Minorities:
4. Permits to Start/Expand Business
5. Freedom to Hire/Fire Personnel:
6. Parastatal Preferences/Obstacles to Competitors:
7. Tax Climate:
8. Accounting/Audit skills:
9. Other Donor Presence/Support:

D. Financial Markets

1. Long Term Financing Types/Activity Level:
2. Financial Markets Types/Activity Level:
3. Significance of Non-bank Financial Institutions:
4. Availability of local entrepreneurial capital:
5. Foreign Investment Interest/Restrictions:
6. Capital flow in/out trends (e.g., flight of capital):

E. US Influence

1. Conditionality Opportunities for Leverage:
2. AID Mission Support:
3. Embassy/Commercial Officer Support:

revised 2/10/86 Center for Privatization

MEMORANDUM

TO: Andrew Cao, Consultant to the Center of Privatization

From: Michael Fuchs-Carsten, ADO

Subject: Your Final Report

As discussed on March 19, 1986 your final report should take the following form to satisfy the terms of your contract as communicated to us in State 68234.

1. The objective of your consultancy is to prepare a terms of reference (TOR) for a team of experts to assist the Government of Rwanda in the development of a global privatization strategy.

2. To accomplish this task you should organize the TOR around the following outline:

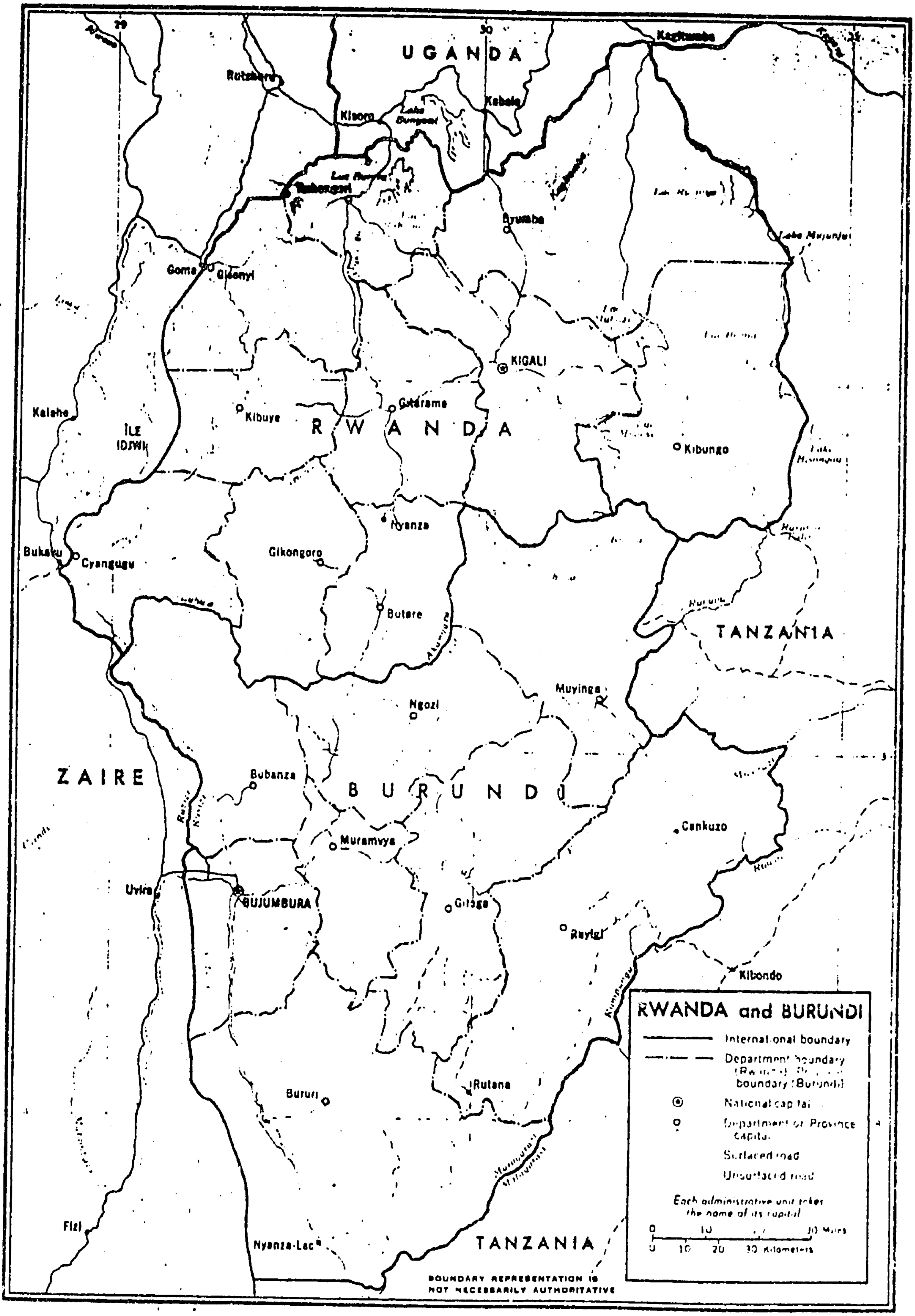
I. Introduction and Background - You should discuss the events leading to your consultancy, the need for a global strategy, the objectives it will serve, the setting in which it will be undertaken here and its relation to the PRIME program. Major issues should be addressed, such as: the relation of the privatization strategy to the industrial strategy that the GOR intends to prepare; the GOR's desire to increase the efficiency of parastatals; the GOR institution which will be responsible for privatization efforts; and, any other issues that have been raised in your discussions with GOR officials.

II. Objective - You should discuss the final product that the team of experts will produce, its major elements and what the product will lead to, eg. priority sectors, selection criteria for state enterprises that could be targeted, a list of firms to be privatized and the major themes of our continuing policy dialogue in the context of the PRIME program. Major emphasis should be given to the practicalities of implementing the global strategy for privatization.

III. Scope of Work - You should discuss the major tasks that the team of experts will undertake to accomplish their objective and generate the final product. You already have done this in one of your documents which contains a suggested outline of the final report that is to be produced by the expert team.

IV. Resources and Time Frame - You should list the inputs and technical assistance resources needed to accomplish III. above. You should identify the specific expertise that is needed, discuss their qualifications and develop a specific scope of work for each consultant. You should discuss the role of the Rwandan counterparts. The time frame of this effort should be specified and a time table should be prepared listing the phases of the study and the arrival dates of each expert.

V. Budget - The cost should be estimated and an illustrative budget should be prepared. You should include line items to cover expenses for secretarial and adminsitrative support, translations, in-country transport, publications, etc. You should also list host country contributions and suggest cost-sharing between AID/W and OAR/Rwanda.


UGANDA
Kisoro
Kabale
Kagitumba
Gisenyi
Goma
Ruhengeri
Byumba
KIGALI
RWANDA
Kibuye
Gitarama
Kibungo
Kalehe
ILE IDJWI
Bukavu
Cyangugu
Gikongoro
Nyanza
Butare
TANZANIA
Muyinga
Ngozi
ZAIRE
Bubanza
BURUNDI
Muramvya
Cankuzo
Uvira
BUJUMBURA
Gitega
Rayigi
Kibondo
Rutana
Bururi
Fizi
Nyanza-Lac
TANZANIA
RWANDA and BURUNDI
International boundary
Department boundary (Rwanda); Province boundary (Burundi)
National capital
Department or Province capital
Surfaced road
Unsurfaced road
Each administrative unit takes the name of its capital
Miles
Kilometers
BOUNDARY REPRESENTATION IS NOT NECESSARILY AUTHORITATIVE

Nomination and Exchange Rate Movements of Rwanda Franc, 1978-84

	RwF per US$	RwF per SDR	Real Effective Exchange Rate Index (Trade Weighted)
1978	92.84	116.86	100.0
1979	92.84	121.62	103.1
1980	92.84	120.35	99.7
1981	92.84	113.23	111.4
1982	92.84	105.23	130.2
1983	94.34	102.56	137.7
1984 (Jan. to Sept.)	99.16	102.71	137.2

Source: IFS.

Average Monthly Earnings per Employee in Manufacturing in Selected Countries, 1982

	Monthly Earnings (US$)	Index (Rwanda = 100)	1982 GNP/Capita (US$)
Rwanda	142.4 1/	100	260
Burundi	151.1	106	240
Cameroon	211.5 2/	149 2/	890
Kenya	141.5	99	390
Malawi	77.1 2/	54 2/	210
Mauritius	65.1	46	1240
Zambia	228.3 3/	160 3/	580
Zimbabwe	396.2	278	940
Bangladesh	29.1	20	140
India	67.7	48 3/	260
Korea	276.4	194	1760
Sri Lanka	32.0	23	320

Source: UN Yearbook of Labour Statistics, World Bank Atlas andMinistère de l'Economie et du Commerce, Rwanda.

1/ Average monthly earnings per employee for January-March 1982 according to a survey conducted by the Ministry of Economy and Commerce and covering about 40 modern manufacturing firms.

2/ 1981.

3/ 1980

New Rwandan Firms Created in 1983-84

	Small	Medium	Large
Numbers of Firms	10	9	6
Total Investment ($ millions)	1.2	3.3	30.4
Total Turnover ($millions)	3.2	4.6	29.2
Total Employment	146	169	753
Average Employment per firm	15	19	126
Cost/Job Created ($)	8,000	19,600	40,400
Investment/Firm ($)	117,000	369,000	506,500

DISTRIBUTION OF PUBLIC AND PRIVATE ENTERPRISES

Number of Enterprises as of 12/31/81

Sector	Public	Mixed	Private	Total
Agriculture	5	2	1/	7
Manufacturing:				
Registered Firms	2	7	83	92
--Unreg/Artisanal	0	0	81,500	81,500
Trade and Services:				
- Import/export/wholesale	1	3	150	154
-Retailing	0	2	5,014	5,016
-Banks	2	4	1	7
Other Trade/Services	8	0	1,775	1,783
Mining	0	1	0	1
Energy	1			1
Total	19	19		

1/ Includes 1 million small farms.

Yearly Growth in Major crop Outputs, Percentage change in Real GDP, Agriculture as a Percent of GDP 1979-84

Year	Yearly Percentage Change in quantity: Bananes	Other Food Crops	Coffee	Tea	IMF Figures: Change in real GDP	Agriculture as a percent of GDP
1979	4.7[g]	20.0[g]	-15.8[g]	-	4.3[g]	47.4[g]
1980	2.0[g]	0.2[g]	18.8[c]	16.3[b]	4.9[b]	45.8[b]
1981	12.5[a]	4.0[a]	26.3[c]	3.3[b]	4.7[b]	39.8[b]
1982	2.4[a]	6.8[a]	-6.7[c]	4.2[b]	4.0[b]	31.8[b]
1983	-0.1[d]	-6.3[d]	15.1[c]	4.9[b]	3.5[b]	35.3[b]
1984	-16.1[f]	-16.6[f]	6.9[f]		2.9[b]	32.5[b]
1979-83	4.0[e]					

Sources: [a] IMF, "RECENT ECONOMIC DEVELOPMENT", Sept 1984, p6.
[b] Ibid, p.10
[c] Ibid, p.10
[d] Calculated from, G. Delepierre, "Evolution de la Production Vivrières et ;es Besoins d'Intensification"., Ministère de l'Agriculture, de l'Elevage et des forets memos, 17 juin 1985, pp 2-4.
[e] Ibid, p.5.
[f] Service des Enquetes Agricoles Rwandais, "Premiers Resultats Bruts et Provisoires de la Phase Réelle de l'Enquete Nationale Agricole" Ministère de l'Agriculture, memos, May 1985, no pagination, table, "Production des Principales Cultures Vivrières."
[g] IMF, "Recent Economic Development", Sep. 1983, pp 3,5,7, Banque Nationale du Rwanda, Bulletin No 10, April 1984, p. 51

Composition of Exports, 1978-82
(RwF million)

	1978	1979	1980	1981	1982 1/
Coffee	4,533	12,820	5,813	6,342	6,680
Tea	826	986	1,101	1,025	1,008
Cassiterite	1,547	1,817	1,785	1,403	1,144 2/
Wolgram	540	611	510	387	324
Pyrethrum	106	191	150	42	-
Cinchona	230	127	279	73	65
Fruits, Vegetables & Flowers	60	110	68	14	20
Hides and skins	155	227	280	306	210
Other	167	545	177	234	160
Total Recorded Exports, cif 3/	8,164	17,303	10,163	9,826	9,611
Balance of Payments Adjustments	2,203	1,535	2,239	694	1,201
Freight and Insurance	(-876)	(-922)	(-1,007)	(-1,079)	(1,009)
Unrecorded Exports	(3,079)	2,325)	(3,655)	1,400)	(2,000)
Other	(-)	(132)	(191)	(373)	(210)
Total Exports, FOB	10,367	18,838	12,402	10,520	10,812

Source: National Bank of Rwanda, OCIR and IMF.

1/ IMF Estimates.

2/ Mostly tin.

3/ Customs data, including re-exports. Some entries are fob Kigali, while others are fob Mombasa and cif point of embarkation.

Coffee Export Values and Quantities and World Coffee Prices, 1981-85

Year	Export Values (Million SDRs)	Export Quantity (Million metric tons)	New York Prices (Cents per Pound)
1981	57.9	30.0	115.8
1982	61.9	25.1	125.6
1983	75.0	31.6	127.9
1984	78.5	30.0	141.2
1985 (May)		31.0 est.	144.0

Sources: "IMF, Recent Economic Developments", August 1984, p. 84; Statistical Annex, Table 5, and Rwandan Ministry of Finance.

Tea Export Values and Quantities and World Tea Prices, 1981-85.

Year	Export Values (billion francs)	Export Quantity (1,000 metric tons)	London Prices (Cents per Pound)
1981	.9	6.7	91.0
1982	1.0	6.7	89.9
1983	1.4	6.7	105.2
1984	2.2	7.6	156.2
1985 (May)			109.7

Source: Statistical Annex, Tables 11 and 12.

MEMORANDUM

TO: CENTER FOR PRIVATISATION, USAID WASHINGTON AND RWANDA
FROM: DR. ANDREW D. CAO, CONSULTANT
DATE: MAY 21, 1986
SUBJECT: FINAL REPORT ON RECONNAISSANCE TRIP IN RWANDA: PRIVATISATION

Please find enclosed the final report on the reconnaissance trip in Rwanda. I have tried my best to incorporate your inputs into this report within the constraint of two weeks and without doing what phase two is going to do.

Thank you very much for the opportunity and all the help. My best wishes for phase two.