REDSO/ESA LIBRARY

GOVERNMENT OF THE
DEMOCRATIC REPUBLIC OF MADAGASCAR

Agricultural Parastatal Enterprises
DIVESTITURE PLANNING AND MONITORING IMPROVEMENT PROGRAMME

PHASE I VOLUME I

Summary report

June 1987

in association with
Cabinet Rindra
Cabinet Ramaholimihaso

MG
EK60 (AE00)
A37
87

REDSO/ESA LIBRARY

MADAGASCAR AGRICULTURAL PARASTATAL ENTERPRISES: DIVESTITURE PLANNING AND MONITORING SYSTEMS REVIEW: PHASE I

VOLUME I: SUMMARY REPORT

Contents

	Page
Background and Terms of Reference	1
Study Organisation	3
The Results of the Study	4
Divestiture and Economic Efficiency	5
Methodology in Madagascar	8
The Societes d'Amenagement - a special case	9
Summary of Analysis	10
Divestiture Propcsals	18
Monitoring Systems Design	29
Training and Equipment Needs	33

VOLUME II:

Appendix D: Priority Candidates for Divestiture

Appendix E: Other Longer Term Candidates for Divestiture

VOLUME III : TECHNICAL APPENDICES

Appendix A : Terms of Reference

Appendix B : Selection of the Primary List of Enterprises under MPARA/MPAEF tutelle

Appendix C : Stage II: Preliminary Evaluation of Enterprises

Appendix F : Monitoring Systems

Appendix G : Training and Equipment Needs

Appendix H : Legal Studies (in French)

Appendix I : Agricultural Sector Report

Appendix J : Capital Resources Study (in French)

Appendix K : Team Organisation, Sources of Information and Bibliography

MADAGASCAR AGRICULTURAL PARASTATAL ENTERPRISES: DIVESTITURE PLANNING AND MONITORING SYSTEM REVIEW

PHASE I REPORT

Background and Terms of Reference

1. Action on the parastatal enterprises of Madagascar under the general provisions of Coopers & Lybrand's Indefinite Quantity Contract with USAID derives from the Agricultural Institutions II Project of the World Bank currently underway in Madagascar. USAID has agreed to fund the part of this project which refers to specific action on the divestiture of state involvement in those agricultural parastatals which come under the tutelage of the two relevant ministries in Madagascar, MPARA and MPAEF.

2. In late August 1986, Coopers & Lybrand undertook an initial mission to Madagascar to define the scope of work and to reach preliminary agreement with the Government of Madagascar on the aims and objectives of this project. As a result of that mission report, USAID and the Government of Madagascar held detailed discussions on the content of the project, and agreed on Terms of Reference dated 18 December 1986 and entitled "USAID MARS Project: Component for Parastatal Studies and Monitoring". This document was the basis for the definition of the work programme carried out by Coopers & Lybrand and specified the following components of work to be carried out in the first phase of studies:

A Studies Related to the Establishment of an Enterprise Monitoring Unit

(1) Data collection on the enterprises under the administrative supervision of the two ministries to include quality and quantity of financial data and reporting procedures, and constraints within the enterprises which affect their reporting capability. Also, the needs of the ministries to assemble and analyse financial reports will be assessed.

(2) Description of proposed monitoring systems, and steps required to establish them. This would include identification of constraints, including equipment required.

B Studies and Action Plans Related to Divestiture

(1) Collection of information on the agricultural parastatals and their preliminary classification, such as by function, type of ownership, type of management, financial position, and other aspects of interest to the ministries.

(2) Preliminary categorisation of the enterprises according to possible recommended action for example:

(a) enterprises that should operate on a commercial basis and could do so, partially or completely, within the private sector; and

(b) functions that could be realigned or consolidated but would remain in government control. Other categories would be included as necessary.

(3) Identification of priority parastatals for in-depth study, including the development of criteria for selection of potential candidates for either complete or partial divestiture, and selection of about five parastatals for further study.

(4) Diagnostic studies of the selected parastatals. These would be "corporate business plans" comprising financial and market analysis; structure and ownership; management capacity and personnel; enterprise objectives; and assessment of legal administrative, technical, organisational, marketing and other issues to be resolved.

3. These tasks, as defined in the 18 December 1986 document, represented the terms of reference for the study, and have been agreed between USAID and the Government of Madagascar.

4. Following the agreement on these terms of reference, two further preparatory missions were made to Madagascar by Coopers & Lybrand. The first, in January 1987, had as its objective the preparation of a detailed work plan, the identification and selection of counterpart firms to assist in the research, the preparation of a draft budget for the Phase I work

4

programme, and the planning of the logistic aspects of the work. The second mission, in late February 1987, had the objectives of:-

(a) finalising the subcontracting arrangements between Coopers & Lybrand, the local counterpart firms and the Government of Madagascar;
(b) agreeing on the details of the logistical support to be provided by the counterpart firms to Coopers & Lybrand;
(c) liaising with the two ministries and the Directorate General of the Plan on the methodology to be adopted, and in particular defining key terms such as divestiture and privatisation;
(d) designing a preliminary work programme for the counterpart firms to carry out prior to the arrival in Madagascar of the main Coopers & Lybrand team; and
(c) briefing the REDSO office in Nairobi, Kenya on progress made.

5. These tasks were completed and the work programme in Phase I was carried out from April to June 1987. This document sets out the full details of the results of Coopers & Lybrand's study.

Study Organisation

6. The project was carried out under the overall direction of Mr James B Haybyrne, a Director in Coopers & Lybrand USA. Mr Graham Todd from C&L U.K. was the team leader responsible for all work conducted in Madagascar. Appendix K gives full details of the study team and its organisation.

7. Coopers & Lybrand had overall responsibility for the execution of the project, and collaborated with two Madagascan bureaux, RINDRA and the Cabinet RAMAHOLIMIHASO. In addition, we were pleased to be able to integrate into our study team four members of staff of the two ministries most concerned - MPARA and MPAEF.

8. We are pleased to be able to report the complete integration of all team members into the study programme, and that the work programme as a result was greatly assisted by the presence of a majority of Madagascan consultants within the team.

The Results of the Study

9. The first phase of this project - the Terms of Reference for which are reproduced in Appendix A - was a planning stage which had as its two main objectives:

- the selection of a small number of enterprises which could most immediately benefit from the divestiture of the State's interests, and

- the design of improved systems of monitoring by the State of the enterprises under the tutelage of the two ministries of agriculture - MPARA and MPAEF.

10. The general layout of this report follows the format of presenting a summary document - the present volume - which gives the essential features of the work and summarises the recommendations, supported by a series of technical appendices which give the detailed workings of the study and provide sufficient information to permit the logic of the recommendations to be followed.

11. In particular, we wish to emphasise two features of this presentation:

- we have attempted to provide a database, for reference purposes, to the Government of Madagascar, on the parastatal enterprises covered in the study - these are contained in Volume II and III of this report;

- according to the wishes of the Directorate-General of the Plan, we have reproduced in full the texts of a number of background studies carried out in Phase I.

12. The remainder of this summary report is set out under the following main headings:

- Divestiture and Economic Efficiency

15. The various ways toward economic efficiency must include addressing key strategic issues within an economy, seeking to promote and develop domestic activities which reflect national comparative advantage, and which can therefore compete on world markets, (regardless of whether sales are targeted domestically or internationally). It is therefore necessary to develop activities which can be responsive to changes in the demands of the market. Part of the process by which these market-oriented objectives are achieved in the parastatal sector is typically to seek to ensure that management within parastatal enterprises is able to take the decisions necessary to reflect changes in the market. This necessarily means that the enterprises itself has input and output prices which reflect market conditions, not solely government directives.

16. There is no a priori reason why the attainment of these objectives should be incompatible with public ownership. Indeed, there are examples around the world of efficient state-owned enterprises which meet these key conditions of market responsiveness and autonomy of management. However, in some cases, it may be necessary to encourage private-sector participation as a precondition to satisfying these objectives. This may be because:

- specific technical expertise is required which is only available in the private sector;

- marketing skills or facilities may be required, which again can only be provided by the private sector;

- an injection of new capital may be required which can best be provided by private sector interests, in order to:

  (a) avoid unnecessary commitment of public resources, and therefore make such resources available for needs more properly addressed by the State, (especially relevant where limited public funds imply high opportunity costs of financing decisions);

(b) provide the necessary performance-related incentive to the private sector organisation to ensure that best commercial advantage is maintained.

17. It is possible to summarise the process of reforming parastatal enterprises, with a view to achieving maximum performance improvements, as consisting of three elements:

MARKET FORCES

- firstly, it is necessary to ensure that enterprises are made responsive to the realities of the markets in which they operate;

MANAGEMENT

- second, question of management efficiency and autonomy have to be addressed to permit management teams to make the market-related adjustments as flexibly as possible;

OWNERSHIP

- third, in some cases, inviting direct private sector ownership in public enterprises is necessary in order to permit the achievement of the first two features.

With respect to the above the chart on the following page describes the relationship among market forces, management and ownership of an enterprise. In our view, as the chart indicates, there are a range of divestiture options which the government of Madagascar may pursue in relation to improving the performance of each enterprise. In terms of importance we believe that moving enterprises toward a market orientation is the most significant aspect. While divesting of ownership is, in some instances, a key determinant of economic efficiency it is not in all cases. In fact divesting of ownership is usually the most difficult to pursue in political terms and therefore mid range options such as leasing arrangements can be more practical.

Stages of Divestiture From Government to Private Sector

Characteristics of Enterprise	Stage 1	Stage 11	Stage 111	Stage 1V	Stage V
Market Orientation	None	Pseudo (Shadow Prices)	Market Signals	Market Signals	Market Signals
Management	Government	Semi-Autonomous (Government)	Autonomous (Private) . Leasing . Management Contracts	Private	Private
Ownership	Government	Government	Government	Joint Government/ Private	Private

Developed by
Coopers & Lybrand

Methodology in Madagascar

18. The aim of the study, therefore, was to address these three aspects of divestiture within the whole range of parastatal enterprises under the tutelage of the two agricultural ministries - MPARA and MPAEF. The approach we adopted is as follows:

- Agree a base list of enterprises for study under the tutelage of the two ministries;

- Analyse each of these enterprises in a preliminary way, based upon existing documentary evidence, in order to reduce the number of enterprises for more detailed study to a manageable number within the resources available to us in this project. It was initially envisaged that about twenty enterprises would be chosen for further analysis at this stage. The key feature at this level of selection is that enterprises should be chosen where the introduction of commercial criteria would lead to improvements in performance in the short-term.

- Analyse in more detail these selected enterprises with two broad aims in view:

  (a) form a view of the likely timescale within which performance could be improved, thereby ranking the enterprises and proceeding to the choice of a small group - five enterprises were suggested - where such improvements could be most rapidly achieved;

  (b) define type characteristics within the group so that an early identification could be made of the key requirements in designing management and control (monitoring) systems that:-

    - permit the identification of key issues which can lead to performance improvements via better information systems, and defining areas where change is needed;

- permit the design of appropriate control procedures to promote optimum resource allocation within established national economic and social policy objectives, (i.e. design a monitoring system).

- As a result of this more detailed analysis, it was intended that approximately five enterprises would be chosen for corporate planning studies which would seek to define the precise areas where performance improvements could be achieved by means of any of the three elements described above, (i.e, introduction of market responsiveness, promotion of more efficient management, and introduction of private-sector participation).

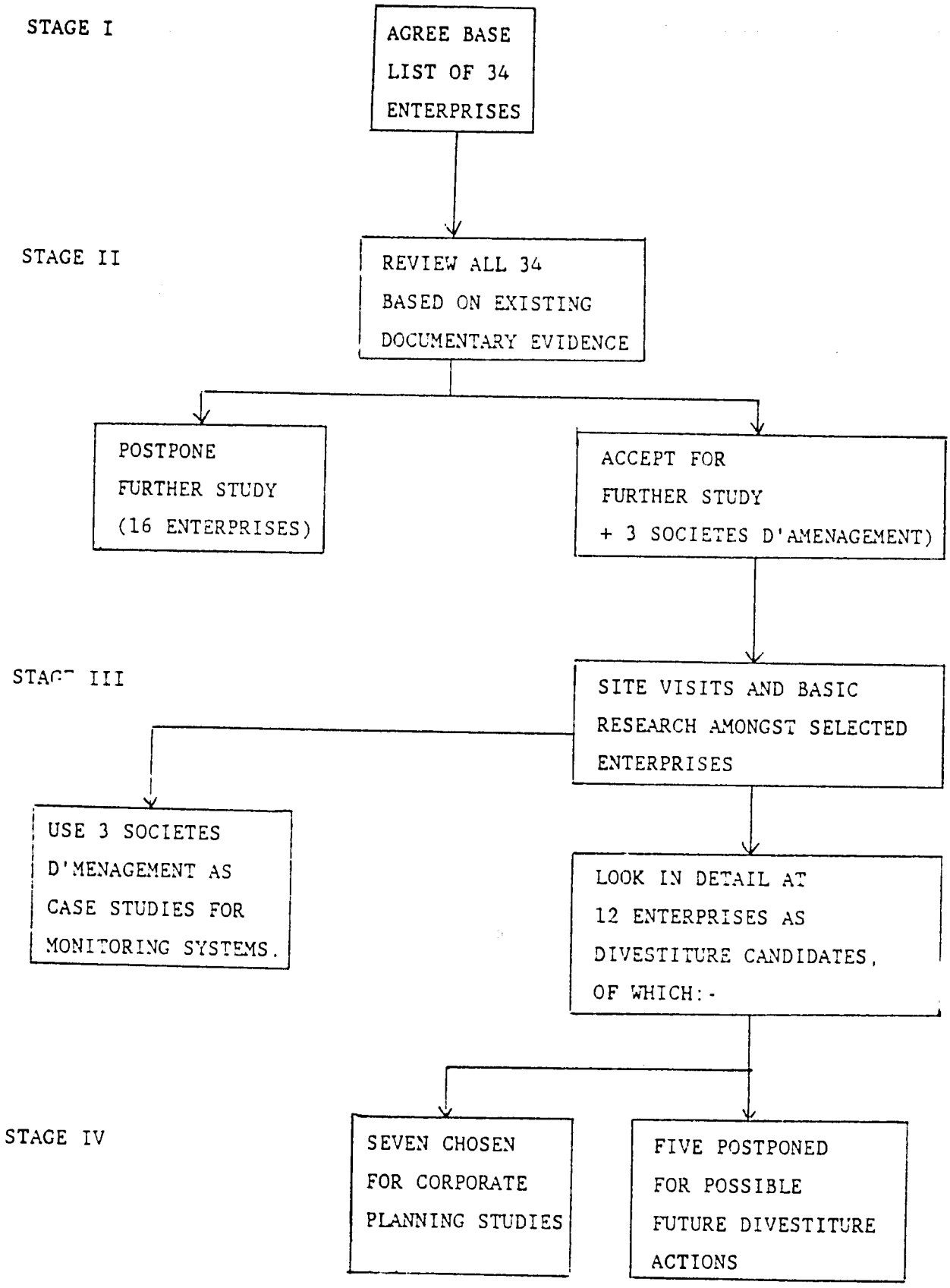
- For those enterprises not chosen for these corporate planning studies, the aim would be to use the analysis already carried out to design and propose new management information and control systems to enable the enterprises and the ministries of tutelage to better monitor their performance. This would include the specification of areas where training initiatives and equipment provision would be necessary in order to ensure that effective control systems could in fact be put in place.

The Societes d'Amenagement - a special case

19. At an early stage in the research programme in Madagascar, we decided to alter slightly the process by which the "20" were selected. We became aware of the crucial importance, in terms of both agricultural policy and public expenditure, of the Societes d'Amenagement." These enterprises are generally not candidates for divestiture since in most cases their objectives are not based on commercial criteria. On the other hand, their role in the provision of extension and support services is crucial, and thus the achievement of efficiency in their operations is of central importance.

20. In order to avoid confusion in the selection process, we decided to create a sub-set of enterprises consisting of the "Societes d'Amenagement"

SCHEMATIC PRESENTATION OF METHODOLOGY



exclusively, and to select three of these to use as models for the design of appropriate monitoring systems. We then sought to identify approximately fifteen other enterprises to form the group for more detailed study to lead to the five corporate planning studies of those with the best immediate prospects for performance improvement via divestiture.

21. To summarise, we set out to:

- choose about five enterprises which can most immediately be improved by the measures described;

- indicate for the remaining ten or so the apparent preconditions which need to be satisfied before performance improvement measures can be implemented;

- use three of the six "Societes d'Amenagement" as models for the design of monitoring systems specifically tailored to the needs of this important sub-sector of activities.

Summary of Analysis

Stage I: Agreeing the Base Set of Enterprises

22. Appendix B gives details of the selection of the base list of enterprises upon which the research programme was based. This set of enterprises, which was agreed with the two ministries concerned at the beginning of the Phase I work programme, was as follows: (see next page).

Initial Set of Enterprises

MPARA

1. AAA
2. EEDR
3. F.E. BETAMPONA
4. F.E. MAHAFASA
5. FIFABE
6. HASYMA
7. MAMISOA
8. OFMATA
9. SAMANGOKY
10. SINPA
11. SOAMA
12. SOAVANIO
13. SODEMO
14. SOJUFA
15. SOMALAC
16. SOMAPALM
17. SOTHEMAD
19. TOLY

MPAEF

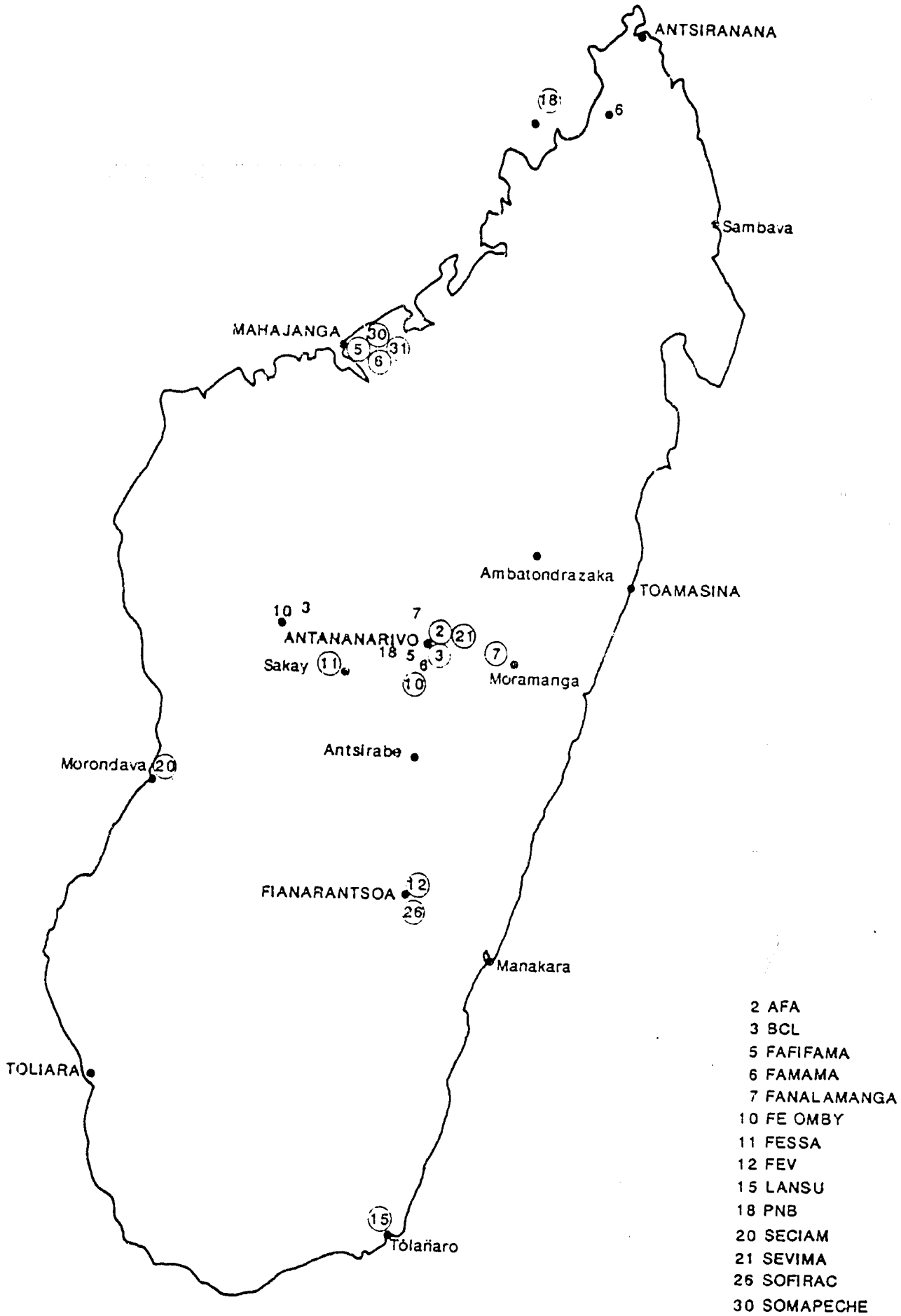
1. AFA
2. BCL
3. FAFIFAMA
4. FAMAMA
5. FANALAMANGA
6. F.E. OMBY
7. F.E. VOHIMASINA
8. FESSA
9. LANSU
10. SECIAM
11. SEVIMA
12. SOFIRAC
13. SOPEBO
14. PNB
15. SOMAPECHE

23. Thus thirty four enterprises were selected as the base set for the first stage of research, nineteen under the tutelage of MPARA and the balance under MPAEF. The geographical location of these enterprises is shown on the accompanying maps.

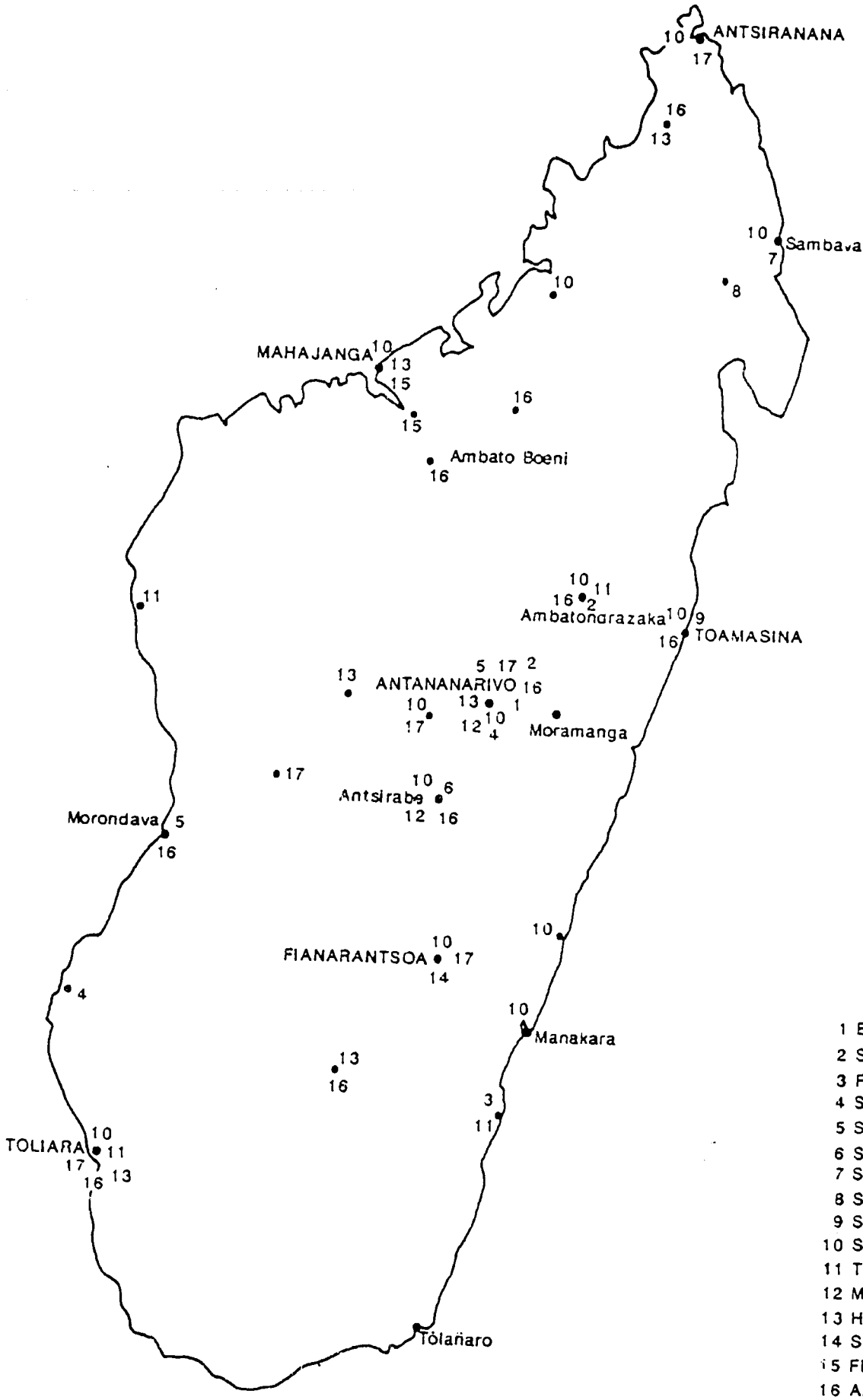
24. On the following pages, we present in graphical form a series of summary analyses for the key agricultural parastatal enterprises, which give the following details:

- Turnover
- Value Added
- Impact on the Treasury
- Total Asset Value
- Profit before Interest and tax
- Employment.

LOCALISATION DES ENTREPRISES DU MPAEF



LOCALISATION DES ENTREPRISES DU MPARA

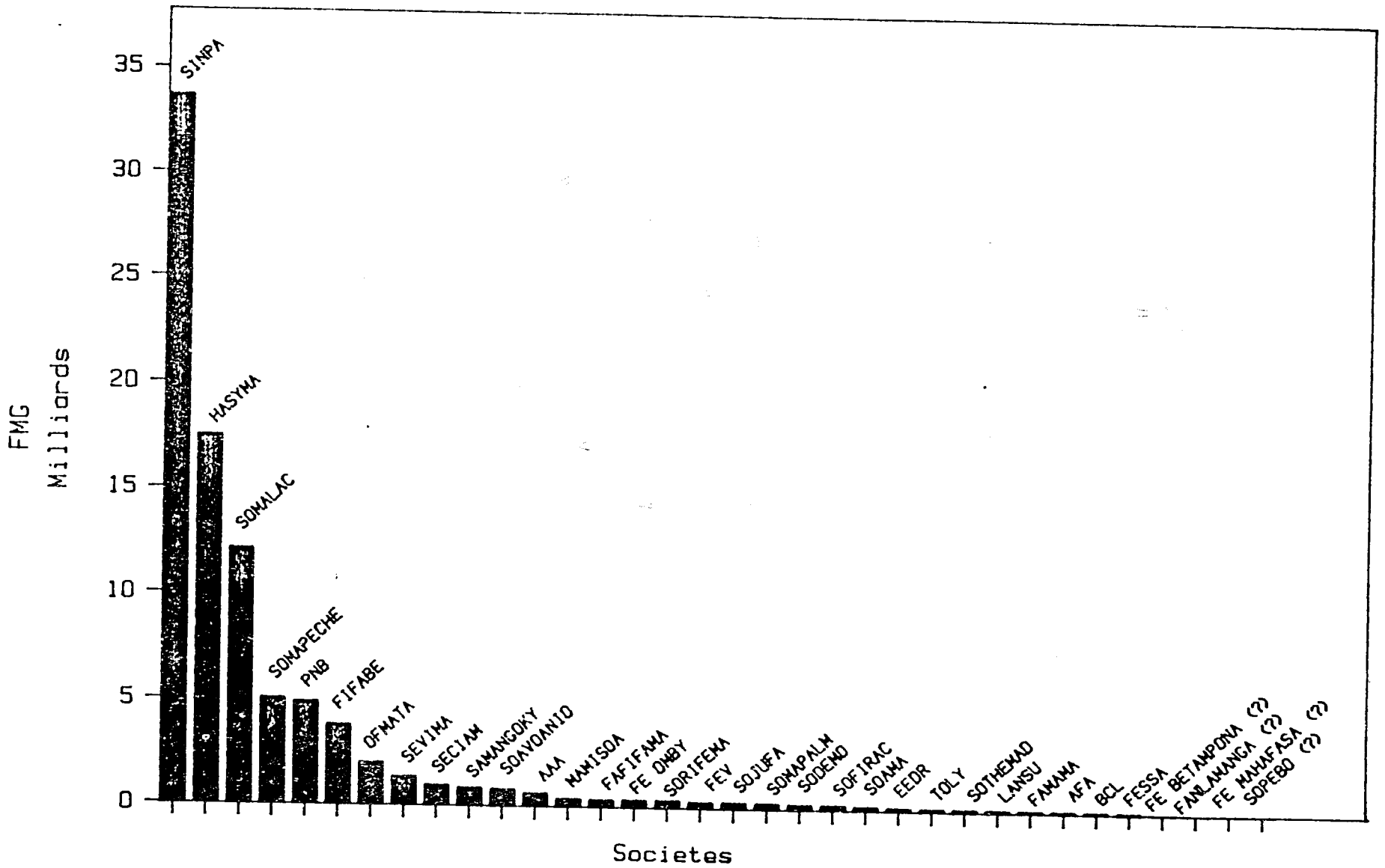


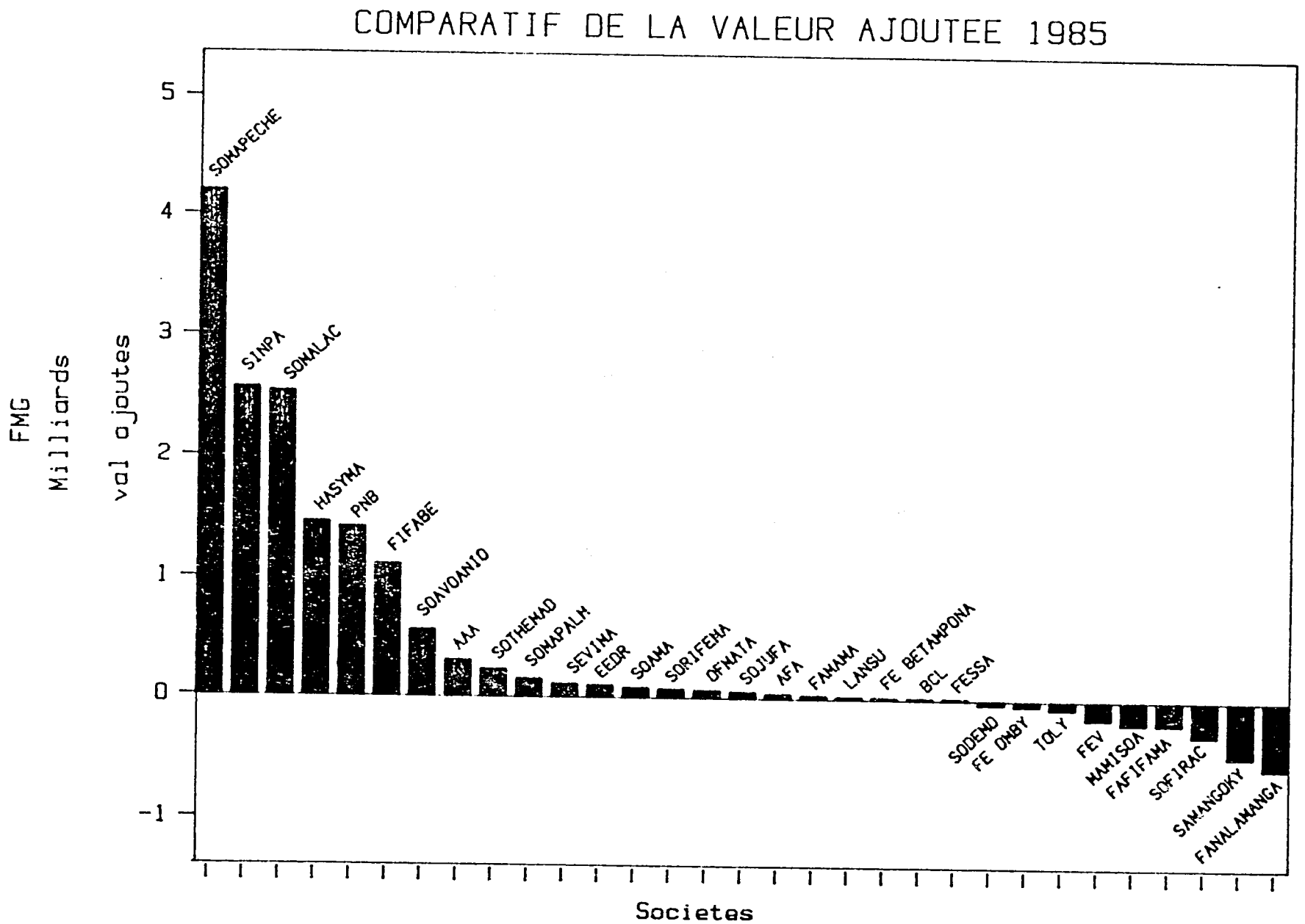
1 EEDR
2 SOMALAC et SORIFEMA
3 FE MAHAFASA
4 SAMANGOKY
5 SODEMO
6 SOJUFA et FE BETAMPONA
7 SOAVOANIO
8 SOAMA
9 SOMAPALM
10 SINPA
11 TOLY
12 MAMISOA
13 HASYMA
14 SOTHEMAD
15 FIFABE
16 AAA
17 OFMATA

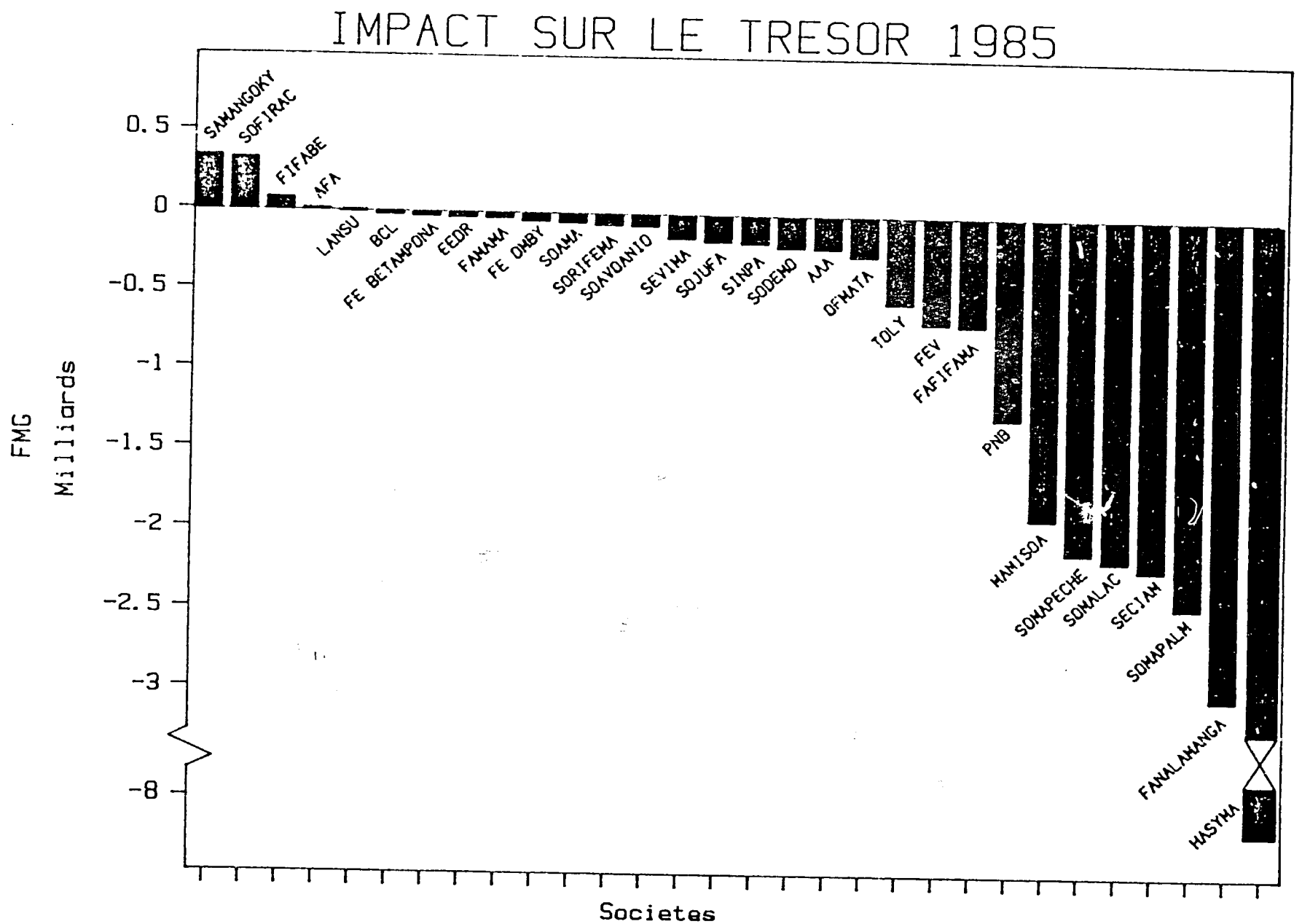
● Ville d'implantation d'Entreprises (siège social, agences, antennes et zones)

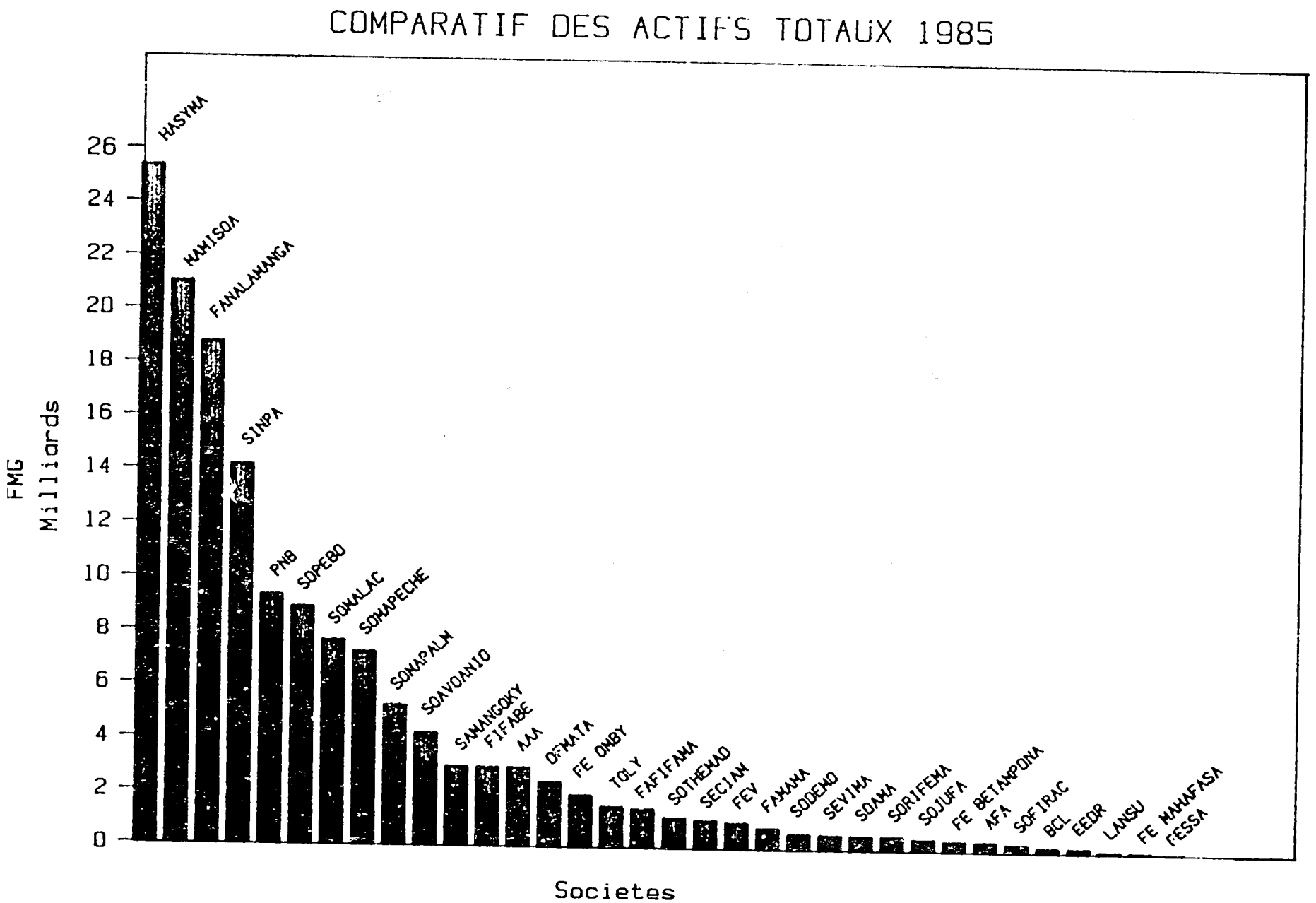
0 50 100 200

COMPARATIF DES CHIFFRES D'AFFAIRES 1985

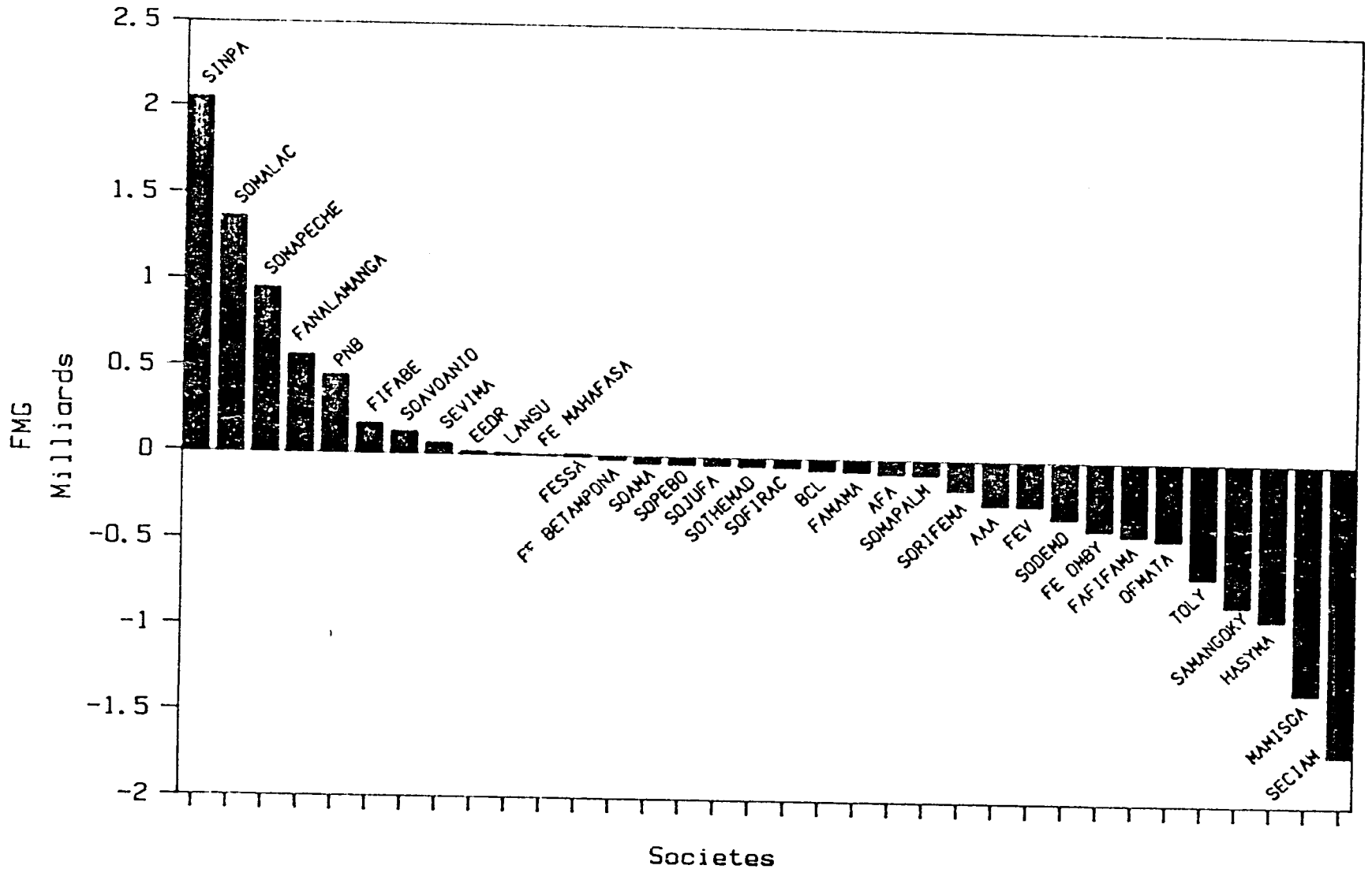



COMPARATIF DE LA VALEUR AJOUTEE 1985
FMG
Milliards
val ajoutes
5
4
3
2
1
0
-1
SOMAPECHE
SINPA
SOMALAC
HASYMA
PNB
FIFABE
SOAVOANIO
AAA
SOTHEMAD
SOMAPALM
SEVIMA
EEDR
SOAMA
SORIFEMA
OFMATA
SOJUFA
AFA
FANAMA
LANSU
FE BETAMPONA
BCL
FESSA
SODEMO
FE OMBY
TOLY
FEV
MAMISOA
FAFIFAMA
SOFIRAC
SAMANGOKY
FANALAMANGA
Societes


IMPACT SUR LE TRESOR 1985
FMG
Milliards
0.5
0
-0.5
-1
-1.5
-2
-2.5
-3
-8
SAMANGOKY
SOFIRAC
FIFABE
AFA
LANSU
BCL
FE BETAMPONA
EEDR
FANAMA
FE OMBY
SOAMA
SORIFEMA
SOAVOANIO
SEVIMA
SOJUFA
SINPA
SODEMO
AMA
OFMATA
TOLY
FEV
FAFIFAMA
PNB
MANISOA
SOMAPECHE
SOMALAC
SECIAM
SOMAPALM
FANALAMANGA
HASYMA
Societes

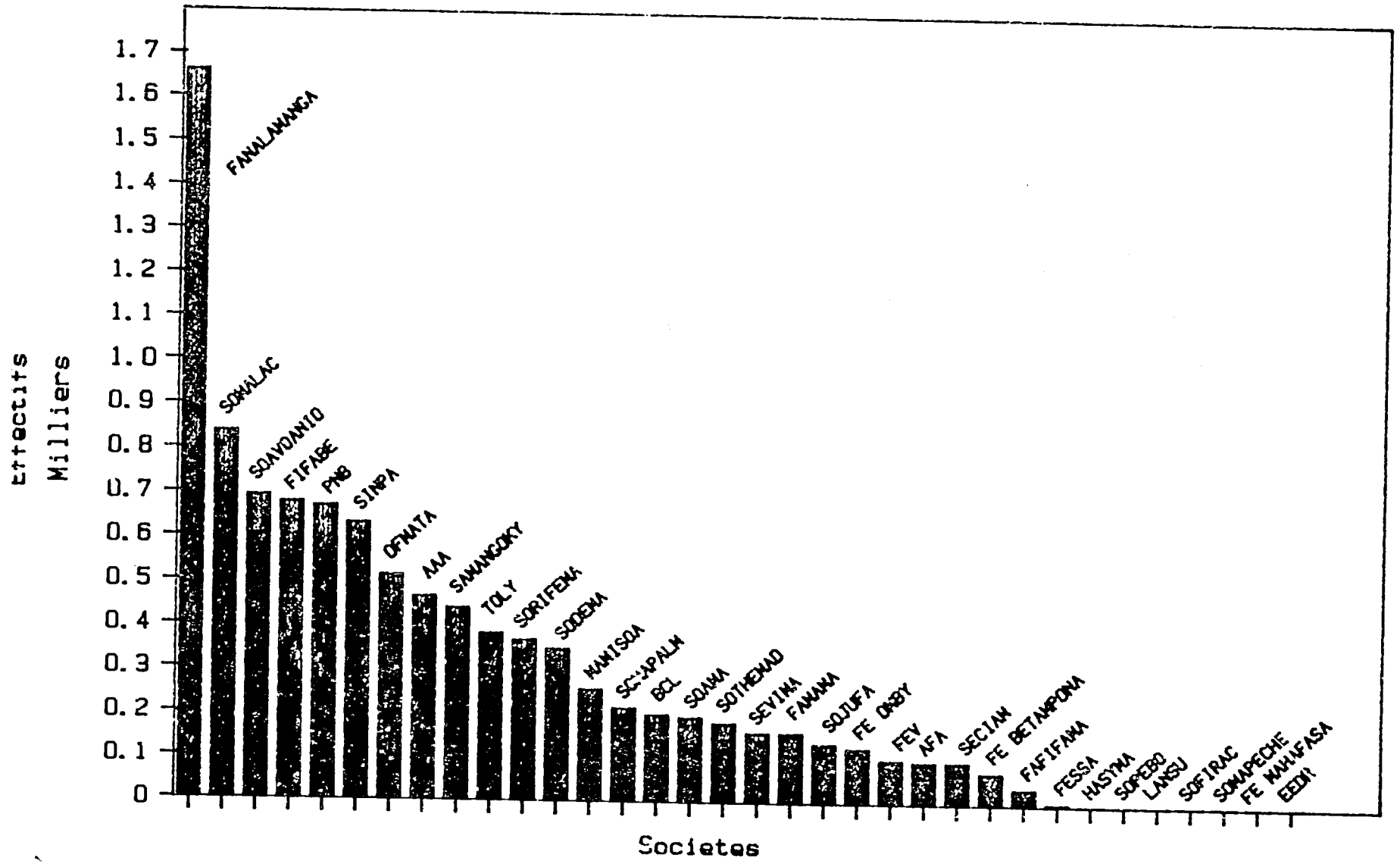

COMPARATIF DES ACTIFS TOTAUX 1985
FMG
Milliards
0
2
4
6
8
10
12
14
16
18
20
22
24
26
HASYMA
MAMISOA
FANALAMANGA
SINPA
PNB
SOPEBO
SOMALAC
SOMAPECHE
SOMAPALM
SOAVOANIO
SAMANGOKY
FIFABE
AAA
OFMATA
FE OMBY
TOLY
FAFIFAMA
SOTHEMAD
SECIAM
FEV
FAMAMA
SODEMO
SEVIMA
SOAMA
SORIFEMA
SOJUFA
FE BETAMPONA
AFA
SOFIRAC
BCL
EEDR
LANSU
FE MAHAFASA
FESSA
Societes

RESULTATS AVANT INTERET ET IMPOTS 1985



12

COMPARATIF DES EFFECTIFS 1985



Stage II: Selection of the Most Promising Sub-Set

25. Based on the examination of all available documentary evidence, the first task was to eliminate from consideration a number of the above enterprises in order to:

- reduce the set to a manageable number within the resource constraints of Phase I;

- select only those which looked most promising as possible cases for divestiture.

26. In effect, this process concentrated on the selection of enterprises which had an essentially commercial orientation, in addition to the Societes d'Amenagement as explained above.

27. There were a number of key criteria used to make this selection. Initially, we chose seven criteria against which each enterprise should be judged and on the basis of which the next stages of analysis would be designed. However, it soon became apparent that only three of these criteria were necessary and sufficient for divestiture planning to continue. The criteria chosen were as follows:

SELECTION CRITERIA FOR STAGE II

The Three Necessary and Sufficient Criteria	Comments
1. Enterprise Objectives	Must be essentially commercial.
2. Viability	Enterprise must be financially/economically viable now or potentially so without major restructuring
3. Administrative/Legal Form	Should not inhibit plans for divestiture in short term.
Other Criteria*	
4. Size	Reform of large entities has potential for greater saving than small.
5. Impact on Banks/Treasury	Similarly, enterprises which are major cash drains are more important for reform than those with minor needs.
6. Strategic Importance	How do enterprise activities relate to other key economic activities, industries etc?
7. Aid Agency Involvement	Can this project make an incremental contribution to a given enterprise over and above aid agency programmes already underway?

* These conditions were not essential to the selection process but were borne in mind in later stages of the analysis.

28. More detailed comment on the logic of these criteria is given in Appendix C. It is sufficient to state here that in the context of seeking suitable candidates for divestiture planning, the fulfilment of the three key criteria was judged to be all that was necessary to permit a given enterprise to advance to the next stage of selection.

29. Application of these criteria in a systematic way to all thirty-four enterprises in the base set led to the selection of:

- three enterprises which are Societes d'Amenagement, or which have the same basic characteristics as Societes d'Amenagement,

and which were to be used on a case-study basis for the design of monitoring systems;

- fifteen enterprises which fulfilled all three key criteria and which therefore on a priori grounds appeared to merit more detailed study to select a small number of worthy of closer study to identify those capable of immediate performance improvement via divestiture. The following two charts summarise this analysis (see next page).

30. In total therefore, we identified eighteen enterprises for closer study. These were as follows:

A. Societes d'Amenagement - Case Studies

MPARA	MPAEF
SOMALAC	F.E. OMBY
SOAMA	
HASYMA	

B. A Priori Divestiture Candidates

MPARA	MPAEF
[AAA]	AFA
[EEDR]	FAMAMA
OFMATA	FESSA
SOAVANIO	SECIAM
SOJUFA	SECIAM
SOMAPALM	[SEVIMA]
SOTHEMAD	SOPEDO

31. These enterprises were discussed at this point with the relevant ministries, and as a result of these discussions, those in parenthesis above were eliminated from further consideration.

MPARA ENTERPRISE SELECTION FOR STAGE III STUDY.
ENTREPRISES MPARA: SELECTION POUR LES ETUDES DU STADE III.

TERES	ENTREPRISES COMMERCIALES														SOCIETES D'AMENAGEMENT				
	AAA	EEDR	FE BETAMPONA	FE MAHAFASA	HASYMA	MAMISOA	OFMATA	SINPA	SOAVOANIO	SOJUFA	SOMAPALM	SORIFEMA	SOTHEMAD	TOLY	FIFABE	SAMANGOKY	SOAMA	SODEMO	SOMALAC
Mission	X	X			X	X	X	X	X	X	X	X	X	X					
Viabilite	X	X			X	X	X	X	X	X	X	X	X	X					
Cadre Administratif/ Juridique	X	X	X	X			X	X	X	X	X		X				X	X	X
Decision	OUI	OUI	NON[a]	NON	OUI[b]	NON	OUI	OUI	OUI	OUI	OUI	NON	OUI	NON	NON	NON	OUI[b]	NON	OUI[b]
Taille	X				X	X	X	X	X		X			X	X	X			X
Impacts/Banques et Tresor					X	X		X	X		X			X	X	X			X
Importance Strategique	X				X			X	X		X			X	X	X	X	X	X
Activites Bailleurs de fonds					X				X		X				X	X	X		X

auf en cas d'intégration avec la SOJUFA.

eulement du point de vue des exigences du système de suivi à proposer.

MPAEF ENTERPRISE SELECTION FOR STAGE III STUDY.
ENTREPRISES MPAEF: SELECTION POUR LES ETUDES DU STADE III.

ITERES	ENTREPRISES COMMERCIALES														ENTREPRISES NON COMMERCIALES
	AFA	BCL	FAFIFAMA	FAMAMA	FANALAMANGA	FESSA	FEV	LANSU	PNB	SECIAM	SEVIMA	SOFIRAC	SOMAPECHE	SOPEBO	FE OMBY
Mission	X		X	X	X	X	X	X	X	X	X	X	X	X	X[c]
Viabilite	X[a]			X	X	X			X	X	X		X	X	
Cadre Administratif/ Juridique	X	X	X	X	X	X				X[a]	X[b]			X	X
Decision	OUI	NON	NON	OUI	OUI	OUI	NON	NON	NON	OUI	OUI	NON	NON	OUI	OUI
Taille			X	X	X				X	X	X		X	X	X
Impacts/Banques et Tresor			X	X	X		X		X	X	X		X		
Importance Strategique			X	X			X			X	X				X
Activites Bailleurs de fonds	X		X	X	X				X	X					

Si réhabilité.

S'il n'y a pas de complications concernant la SICE.

Partiellement commerciale.

32. As far as MPARA enterprises were concerned, it was decided that:

- AAA should be eliminated due to lack of resources within this study to examine in detail an enterprise of this size, given the apparently greater potential of others on the list.

- EEDR was eliminated on the same grounds.

- SINPA was eliminated based on a discussion with the President of the Conseil d'Administration that a recent internal review had concluded that this enterprise - claimed by the President of the Conseil d'Administration to be the only public enterprise in Madagascar which is wholly self-supporting - did not require divestiture actions to improve its performance. It is also a "Societe d'Interet National", (the only one in the list of 34), which would make divestiture extremely complicated form a constitutional point of view.

33. MPAEF advised us that:

- SEVIMA, though itself under MPAEF tutelage, is owned by a parent company, SICE, which comes under the tutelage of another ministry, the Ministry of Commerce. Given this double tutelage, MPAEF suggested that SEVIMA should be excluded from further study and we accepted this view.

34. As far as the selection of the case studies from amongst the Societes d'Amenagement were concerned, the key points were as follows:

- SOMALAC and SOAMA were felt to represent two extremes. The former is the largest and one of the best resource enterprises, permitting its recently-installed, computerised management accounting system to be examined as a possible model for all enterprises. SOAMA is small, has essentially social objectives, and was felt to represent an enterprise poorly-resourced in terms of its capacity to produce the information necessary, for a good monitoring system.

- F.E. OMBY, the only Societe d'Amenagement under the tutelage of MPAEF, is in the strategic meat sector and was felt to offer a good case study for both these reasons.

- HASYMA, the vital cotton monopsony, is in receipt of substantial technical assistance from its minority private French partner. It was felt to be an especially interesting case study in the sense that illustrates some of the problems associated with the current ministerial monitoring system, (see Appendix F for a detailed discussion of this aspect).

35. This approach therefore led to the final selection of a total of eleven enterprises for detailed study for divestiture planning in the next stage of work, plus four case studies to be used to defining the key requirements of improved ministerial monitoring systems.

36. Appendix C gives a more detailed description of the selection process, and presents in addition a standardised set of analytical forms which were applied to all thirty four enterprises at this stage.

Stage III: The Detailed Divestiture Studies

37. The next stage in our selection process involved the carrying out of a series of detailed studies, based on visits to the headquarters and sites of most of the eighteen enterprises identified. These studies are reproduced in full in two Appendices to this report. Appendix D presents seven studies and corporate business plans for the most promising divestiture candidates, (including a study for the divestiture of the rice milling division of SOMALAC which emerged at a late stage as an additional possible divestiture candidate). Appendix E presents studies for the remaining six enterprises which were not selected as priority candidates for divestiture, but which were subject to studies in order to indicate the preconditions necessary for resolution before divestiture actions could be proposed.

38. Additionally, Appendix F - Monitoring Systems - contains the case studies of SOMALAC, SOAMA, F.E. OMBY and HASYMA as supporting our analysis and recommendations on monitoring, (see paragraphs 40 - 51 below.)

39. The results of this stage of the analysis were as follows:

ENTERPRISES CHOSEN FOR CORPORATE STUDIES BECAUSE THEY APPEARED TO BE PRIORITY CANDIDATES FOR DIVESTITURE

- SOVANIO -	Copra producer, north-east coast, needs to make major investment decisions for next 20 years, very important sector, need for foreign investment.
- SOMALAC RICE MILL -	Commercial arm of major regional development authority: possible example of benefits of separating commercial from social activities.
- SOJUFA -	Fruit juice, carbonated mineral water, and vinegar producer in apparent need of urgent remedial action to prevent bankruptcy.
- SOTHEMAD -	Tea plantation, formerly important exporter, apparent potential to earn foreign exchange, apparent need of urgent remedial action to prevent bankruptcy.
- FANALAMANGA -	Major pine plantation, ill-defined market objectives, approaching point where marketability of wood becomes good, need to define future strategy
- FAMAMA -	Cashew plantation, good export potential, apparent comparative advantage, good value-added potential, need to ensure that new factory investment reinforces the project's potential.

Former tobacco exporter, aroused recent interest among foreign investors, possibly in need of privatisation, apparently in serious financial difficulties, possible potential for divestiture.

: for each of these enterprises, and for the five for short-term action, is presented in the

ıiled planning financial and
ıic study of SOAVOANIO's future
l be carried out in Phase II.
'ould lead to the production of
'estment prospectus and an
or search, foreign and possibly
al.
NIO, given reinvestment and
pment of oil production, could
an important foreign exchange

S	SUITABILITY FOR IMMEDIATE ACTION
and s needed :m :; :d :act	- Once a full study is done, in our view SOAVOANIO is one of the best prospects for improvement by means of divestiture action. - Phase II could be used to identify investors and prepare a detailed divestiture scheme.

SOMALAC RICE MILL
(SOMALAC INDUSTRIAL AND COMMERCIAL DIVISION)

RECOMMENDATIONS:

(i) Postpone action for immediate divestiture due to unstable national rice markets.

(ii) In longer term, consider leasing this operation to the private sector to diminish SOMALAC's financial risk and separate commercial from non commercial activities.

EVALUATION OF PERFORMANCE IMPROVEMENT POTENTIAL	IMPLICATIONS FOR DIVESTITURE ACTIONS	SUITABILITY FOR IMMEDIATE ACTION
- SOMALAC is one of the best run and resourced Societes d'Amenagement. Performance improvement potential focusses on a clearer separation of commercial and non-commercial activities. - Leasing the rice mill, (within SOMALAC's existing legal structure) to a private operator could diminish SOMALAC's financial risk and improve its revenue base.	- At an appropriate time, a private sector operator could be sought to lease the rice mill and: - pay a fixed royalty to SOMALAC; - pay a profit share to SOMALAC based on operating results; - have complete freedom of action in processing and marketing rice.	- This proposal could not be advanced until national rice markets are stabilised. No immediate action is proposed therefore, but the position should be reviewed periodically.

SOJUFA

RECOMMENDATIONS:

(i) Concentrate immediately om improving the Visy Gasy business.
(ii) Close the fruit juice business and study feasibility of restructuring.
(iii) Close the vinegar business: unless alternative use for equipment can be found, sell stocks and equipment.
(iv) cease soda operations.

Note: Association Professionelle des Banques de Madagascar (APBM) now taken over the rehabilitation of SOJUFA.

EVALUATION OF PERFORMANCE IMPROVEMENT POTENTIAL	IMPLICATIONS FOR DIVESTITURE ACTIONS	SUITABILITY FOR IMMEDIATE ACTION
- Good candidate for performance improvement. Key steps are as follows: - restructure company to promote Visy Gasy business which is highly profitable - suspend fruit juice activities and carry out full feasibility study for national and regional markets, with a view to relaunching this business. - Close vinegar plants, explore alternative uses for vinegar plant equipment, failing which, plant and stocks should be sold for whatever price can be obtained. - Soda business does not have potential for SOJUFA and should be closed. SOJUFA, in a restructured form could be profitable and may be able to serve regional markets.	- A restructured SOJUFA in our view needs 100% private ownership with some foreign participation, because: - management skills and investment are needed; - state ownership adds nothing to this business.	- SOJUFA is immediately suitable for action. Indeed, only by urgent action can this enterprise be saved from bankruptcy. Note In view of this urgency, MPARA and Coopers & Lybrand have agreed that SOJUFA should immediately be passed to the ASSOCIATION PROFESSIONELLE DES BANQUES DE MADAGASCAR (APBM) for further study.

SOTHEMAD

RECOMMENDATIONS:

(i) Cease requirement for SOTHEMAD to sell via SOMACODIS immediately.
(ii) Permit SOTHEMAD to manage itself and to refinance working capital needs.
(iii) Explore privatisation of SOTHEMAD in longer term.

EVALUATION OF PERFORMANCE IMPROVEMENT POTENTIAL	IMPLICATIONS FOR DIVESTITURE ACTIONS	SUITABILITY FOR IMMEDIATE ACTION
- Two main areas of performance improvement potential exist: (i) make SOTHEMAD management autonomous, especially as far as tea sales are concerned (ii) provide new working capital to permit input financing - especially fertilizer to raise production towards 300 tonnes/year capacity.	- Immediate need to free SOTHEMAD from requirement to sell via SOMACODIS: there are no legal impediments. - Help SOTHEMAD to prepare refinancing proposals. - Explore longer term possibility of changing the legal structure of enterprise and investing private sector participation.	- Immediately suitable for introducing market responsiveness and management autonomy. - Longer-term prospects for partial divestiture.

FANALAMANGA

RECOMMENDATIONS:

(i) Sell timber exploitation rights to private operation in approximately 1992 to give Government a capital profit, thereby:-

(ii) Permit private investor to address unresolved market issues.

EVALUATION OF PERFORMANCE IMPROVEMENT POTENTIAL	IMPLICATIONS FOR DIVESTITURE ACTIONS	SUITABILITY FOR IMMEDIATION ACTION
- The key feature is the need to decide upon the market to which the project's timber will go.	- This is best done by a private sector timber specialist with marketing links.	- A private sector investor is unlikely to invest appropriate skills and reaches maturity: foreseen for 1992.
- No trading has yet commenced: total investment will be Fmg 21 billion by 1992, with no established revenue base.	- Government can recover this investment and make a profit by selling timber exploitation rights.	- By 1992, private investors should find this project of interest, and we estimate that a sale price of up to Fmg 26 billion will be achieveable.

FAMAMA

RECOMMENDATIONS:

(i) This product should be rehabilitated to reflect a proven comparative advantage and a strong international market.

(ii) A rehabilitation plan is urgently needed to match production and processing capacity, improve plantation productivity, and seek new shareholders.

(iii) This study should be carried out in Phase II.

EVALUATION OF PERFORMANCE IMPROVEMENT POTENTIAL	IMPLICATIONS FOR DIVESTITURE ACTIONS	SUITABILITY FOR IMMEDIATE ACTION
- Cashew production is favourable in Madagascar and has the potential to earn substantial foreign exchange, add value, and create jobs. - Plantation productivity is poor however, and the financial state of the enterprise unclear, especially as regards its true production costs. - Planned industrial investment in processing plant, (purchase currently underway) is too big for production capacity. - Very little (2%) of capital is paid up, and a private (foreign) investor would bring substantial technical and marketing benefits.	- Pre-conditions have to be satisfied before FAMAMA could be privatised, namely: (i) Agree with ADB, Government of Madagascar, and FAMAMA a better match of industrial and productive capacity. (ii) Produce reliable financial statements and estimates of real production costs. (iii) Seek to identify private investor and establish basis on which investor would be willing to participate.	- Not suitable for immediate action, but: (i) it is a potentially interesting project; (ii) pre-conditions should be met as soon as possible; (iii) divestiture action could proceed after rehabilitation study.

OFMATA

RECOMMENDATIONS:

(i) Tobacco buying and selling activities could be commercially viable and run as a commercial enterprise separated from the rest of OFMATA's activities.

(ii) This proposal should be studied in detail in Phase II.

EVAULATION OF PERFORMANCE IMPROVEMENT POTENTIAL	IMPLICATIONS FOR DIVESTITURE ACTIONS	SUITABILITY FOR IMMEDIATE ACTION
- OFMATA's current financial state is very poor: performance may possibly be improved by separating commercial from non-commercial activities, and re-establishing strong tobacco exports.	- This proposal would require a detailed financial and planning study before further action could be taken.	- Immediate potential for divestiture is limited: planning studies are required initially.

Ranking Other Enterprises for Longer Term Action

Five other enterprises were studied (see Appendix E) and rejected for immediate divestiture action. The key features of these studies were as follows:

AFA

This abbattoir which serves Antananarivo is currently being rehabilitated by the European Development Fund. We concluded that:

(i) we could bring no incremental contribution to AFA within the confines of this study;

(ii) AFA could only be profitable if unlicensed abbatoirs in the area are closed, and the Government ceases price control on AFA's operations.

SECIAM

Similarly, this abbatoir is being rehabilitated by the European Development Fund. In the absence of this project, which is already 18 months behind schedule, we do not believe that SECIAM can be viable. Without EDF's assistance, we conclude that SECIAM should be closed.

SOPEBO

This enterprise is already privately-managed and privately-run. Only in the sense that the State has 51% of SOPEBO's shares does this remain a state enterprise. Performance improvement potential is limited, although we believe there may be some merit in the State selling its shareholding to the BNI.

SOMAPALM

This enterprise was excluded from detailed study because of doubts about the climatic suitability of the area for palm oil production. However, given a rehabilitated SOAVOANIO, SOMAPALM's refinery may offer some potential for performance improvement - see Appendix E for detailed presentation of these issues.

FESSA This small silk farm may offer a good opportunity for performance improvement via divestiture. It was excluded from a further study in this project due to its very small size and low priority with respect to other divestiture candidates.

Competitive and Comparative Advantage

In formulating our recommendations on the priority enterprise for divestiture, we have sought to measure key enterprises's competitive and comparative advantage. These may be defined as follows:

Competitive Advantage: this indicates the conditions under which an enterprise can produce its given product (s) at a price competitive with other producers.

Comparative Advantage: this presents a measure of the extent to which it is in the interests of the Madagascan economy to continue with a given productive activity. Put another way, we indicate whether Madagascar can compete in international markets.

In the following table, we summarise the results of our analysis in terms of the comparative and competitive advantage for the production of various commodities to the world markets. Where, at current exchange rates, no competitive advantage exists, we indicate the exchange rate necessary to produce such an advantage.

	COMPETITIVE ADVANTAGE		COMPARATIVE ADVANTAGE
	YES/NO AT US$1=Fmg 830	Minimum exchange rate for competitive advantage US$1 = Fmg	YES/NO
Tea	Yes	<830	Yes
Cashew kernels	No	961	Yes
Coconut oil (against imports)	No	1045	2/
Raw cashew	No	1190	Yes
Coconut oil (against exports)	No	1620	2/
Palm Oil (current production)	No	1/	No
Palm Oil (1992 production)	Yes	<830	Yes

Notes

1. Cannot be calculated as foreign exchange component is higher than world market price.

2. Not calculated due to lack of data.

Source: Coopers & Lybrand

Monitoring Systems Design

Limits of our Study

40. The central objective of reviewing and improving the process by which ministries of tutelage, (in this case, MPARA and MPAEF), follow the progress of enterprises under their supervision.

41. As we argue in detail in Appendix F, to consider the wide questions of public expenditure control vis-a-vis agricultural parastatal enterprises is beyond the scope of this study. This is due to the large number of State organisations other than the ministries of tutelage that play a role in the supervision of parastatal enterprises. We discuss the role of the Ministry of Finance, the General Inspectorate of the State, the Government Commissioners, the Chamber of Accounts of the Supreme Court, the auditors, the Central Bank, the Ministry of Commerce, and the Ministry of Labour, all of which have a role in influencing the conduct of public enterprises.

42. We therefore emphasise that this study has a limited objective as far as the question of monitoring is concerned. Specifically, we aim in this study to make recommendations on two aspects:

- how to improve the flow of information between the ministries and the enterprises so that effective decision making can be supported by reliable information and;

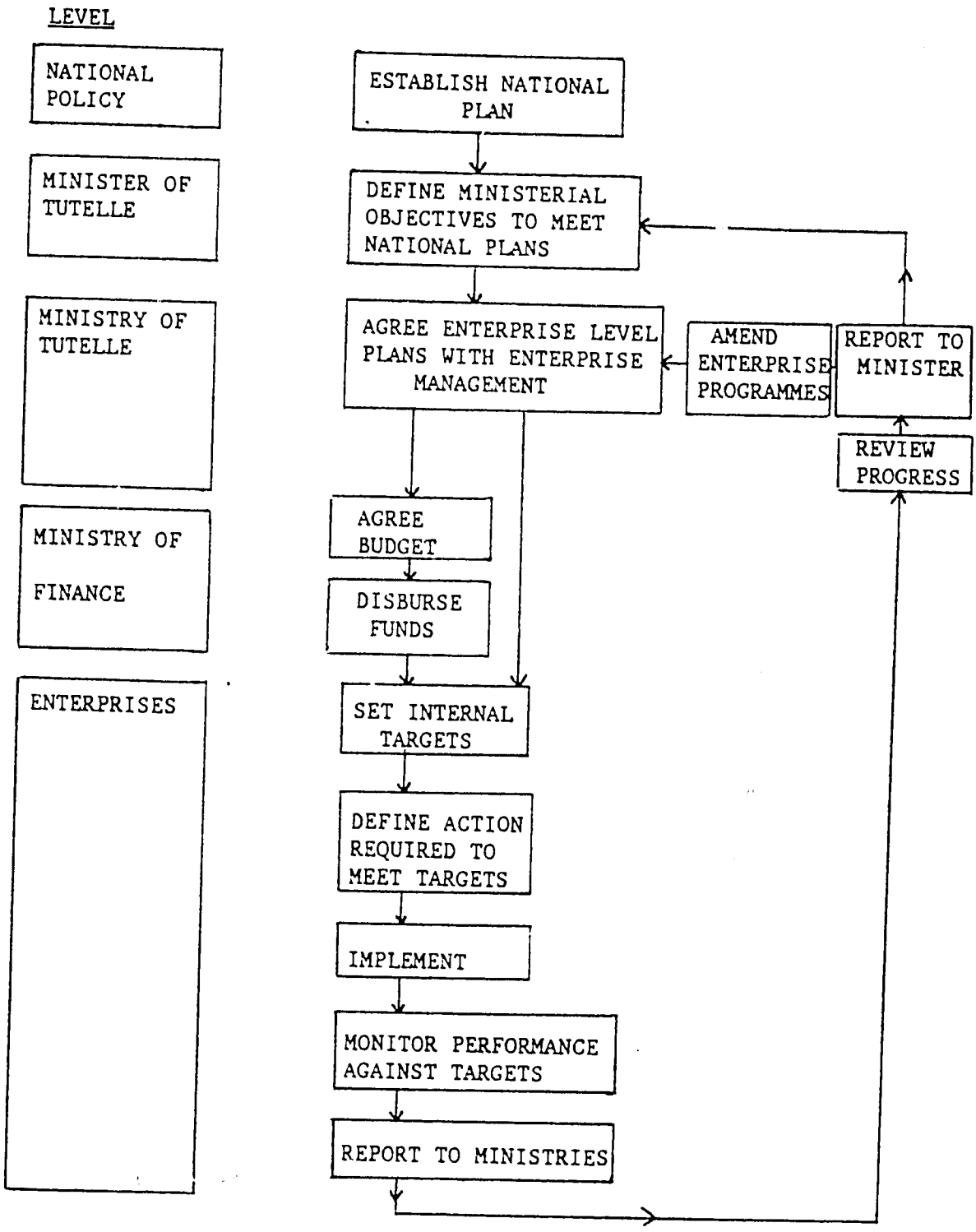
- how to improve the liaison between the two ministries of tutelage and their enterprises.

The Key Features of Monitoring

43. In the Madagascan context, we believe that the key features of a good ministerial monitoring system should include:

- the encouragement of maximum autonomy of management within the enterprises themselves;

SCHEMATIC PRESENTATION OF THE PRINCIPLES OF MONITORING PARASTATAL ENTERPRISES



- the acceptance of a policy of non-interference by the ministries in the management of the enterprises;

- the creation of a monitoring function within the ministries which is helpful and supportive to the enterprises yet not complex

- the establishment of a monitoring system which puts the onus for the production of data and for the initial analysis of performance on the enterprises themselves as part of their own internal management practices.

44. On the basis on these general principles, we propose that the type of monitoring system best suited to Madagascar might be as represented in the Chart on the following page.

Diagnosis of Current Problems

45. We examined in some detail both the current workings of the two ministries and the position within the enterprises as far as their perception of the monitoring system was concerned, and from the point of view of their capacity to produce the data required. Our conclusions were as follows:

(a) In the ministries

- both MPARA and MPAEF are poorly organised for the monitoring function and particularly:

  - do not coordinate contacts with enterprises;

  - have several sections duplicating each others' tasks;

  - do not define clearly monitoring responsibilities;

  - do not follow up requests for information;

- do not respond to enterprises when data is submitted;

- fail to define for the enterprises what is required of them, what their objectives are, and who is responsible for what.

(b) <u>In the enterprises</u>

- based on our visits to about half the enterprises under the tutelage of the two ministries, we conclude that:

  - enterprise management capacity is very variable and the extremes are wide between the best and the worst;

  - enterprise management on the whole is confused about their responsibilities, and especially about what information is required by what ministry and which ministerial department should be reported to;

  - multiple and duplicated requests for information from the same ministry are commonplace - this wastes management time in the enterprises, demotivates staff, diverts staff from their proper duties, and reduces the chance that good management skills can be applied.

46. It should also be added that a number of other ministries pursue seemingly random and certainly uncoordinated contact with enterprises, further confusing management and creating a climate of interference and non-cooperation.

47. We were especially struck by the fact that, even in the Ministry of Finance and Economy which ostensibly has responsibility for public expenditure control, there is no systematic approach to the control of public finance within the parastatal sector. As far as agricultural parastatals are concerned, we conclude that their financial position is not supervised nor controlled by any agency of Government other than on an haphazard and random basis as short-term cash - and financial crisis arise.

Our Recommendations on Monitoring

48. Our central recommendation is that there is an urgent need for a complete overhaul of the system of managing the State's investments in parastatal enterprises, but we recognise that this falls beyond the scope of this study.

49. In the narrower context of the improvement of liaison between MPARA and MPAEF, and the enterprises under their tutelage, our recommendations are as follows:

- in each ministry, create a new monitoring cell, the key features of which would be:-

  * each cell would be attached to the Secretary General/Cabinet du Ministre to ensure independence of action;

  * each cell would be the single point of contact between the ministry and the enterprises;

  * each cell would have one designated liaison officer responsible for maintaing contact with enterprises - we suggest that each liaison officer is responsible for about 5 enterprises;

  * consideration should also be given to obliging all other ministries to pass through the cells before making contact with the enterprises;

  * each cell should provide support and back-up servies to the enterprises which encourage autonomy of enterprise management.

- in the enterprises we recommend that a systematic review be carried out in Phase II of this project to identify enterprise-by-enterprise:-

  - their needs for new management staff;

  - their needs for staff training;

  - the implementation of management information systems appropriate to the enterprise in question (and based, we believe, on the SOMALAC model);

  - the needs of the enterprises for equipment, especially office equipment, to be able to operate improved management information systems and thereby automatically produce the data needed for ministerial monitoring.

  - the preparation of a medium-term (say 3 years) budget and investment programme aimed at strengthening case-by-case the enterprises' management capacity.

50. We believe that there is much to be done to improve public enterprise performance by means of better management and control systems, and especially by more clearly defining monitoring and management responsibilities. In that context, we emphasise that in our view, a fundamental overhaul of ministerial monitoring systems and organisation is required, rather than the introduction of relatively minor amendments to the existing structure. We look forward to helping the two ministries concerned with this reorganisation in Phase II of this project.

Training and Equipment Needs

General remarks

51. Reorganisation of ministerial monitoring, and strengthening of enterprise management capacities both require that staff training programmes be designed, and that equipment provision is adequate for the

management and monitoring jobs at hand. In that sense, the final design of these aspects has to be left to later in the project.

52. At the same time, the Terms of Reference for Phase I call for a specification of immediate training and equipment requirements, and we have accordingly carried out some preliminary design work here to address immediate needs.

53. The recommendations on training and equipment are to be seen in a short-term context only, and are intended to make marginal, though worthwhile, improvements to the existing structure of monitoring while our more radical proposals for reform are being implemented. Clearly, once this has been done, further training and equipment specifications will be needed.

54. We nevertheless believe that the following improvements should be carried out in the short-term, and that these will bring significant benefits and also be entirely consistent with our proposals for reorganisation:

* For MPARA, we recommended an expenditure of US$ 53,000 on equipment (vehicles, computers and office equipment), some of which has already been requested by MPARA under USAID funding.

* For MPAEF, we recommend an equipment budget for similar items, totalling US$ 48,000.

* For the staff of both ministries, we have recommended a variety of training programmes, both within Madagascar and overseas. We estimate the total costs of these programmes at US$ 30,000 (MPARA) and US$ 40,000 (MPAEF). Of these totals, US$ 26,000 would be expended in Madagascar, and US$ 44,000 in foreign countries.

REDSO/ESA LIBRARY

PN-ABD-067

GOVERNMENT OF THE
DEMOCRATIC REPUBLIC OF MADAGASCAR

Agricultural Parastatal Enterprises
DIVESTITURE PLANNING AND MONITORING IMPROVEMENT PROGRAMME

PHASE I VOLUME II

Divestiture candidates – analysis and recommendations

June 1987

in association with
Cabinet Rindra
Cabinet Ramaholimihaso

MG
FK.60 (AE00)
A 37
87a

REDSO/ESA LIBRARY

APPENDIX D

49'

VOLUME II: DIVESTITURE CANDIDATES - ANALYSIS AND RECOMMENDATIONS

This volume of the report contains two sets of analysis:

Appendix D contains detailed case studies and corporate plans for the seven priority enterprises identified as divestiture candidates in this study. These studies are set out as follows:

SOAVOANIO	- English text - Legal structure note in French.
SOMALAC RICE MILL	- English text - Legal structure note in French.
SOJUFA	- English text - Legal structure note in French.
SOTHEMAD	- English text - Legal structure note in French.
FANALAMANGA	- English text - Legal structure note in French.
FAMAMA	- English text - Legal structure note in French.
OFMATA	- English text - Legal structure note in French.

Appendix E contains five further case studies of enterprises which were studied at a preliminary level but for which a postponement is recommended with respect to divestiture actions until various pre-conditions have been satisfied. These studies are set out as follows:

AFA
SECIAM
SOPEBO
SOMAPALM
FESSA

SOAVOANIO

BASIC SHEET DATA

ENTERPRISE	:	SAMBAVA VOANIO (SOAVOANIO)
LOCATION	:	Sambava, Diego Province
LEGAL STATUS	:	Societe d'Etat
SHAREHOLDING	:	100% State
ACTIVITIES	:	(1) Operation and management of industrial scale coconut plantations;
		(2) Manufacture and sale of copra
STAFF	:	1,000

KEY FINANCIAL INDICATORS (Fmg million)

YEAR ENDED (MONTH & DATE)	1984	1985	1886
	31/12	31/12	31/12
Sales			
Profit from Operations 1/	732	857	1,347
Net Profit	195	116	226
Cash Flow from Operations	318	315	344 2/
Total Assets	4,292	4,274	4,427
Total Indebtedness	(2,185)	(2,137)	(2,226)
Net Equity	2,107	2,137	2,201
Profit from operation/sales	27%	13%	18%
Profit from operations/total assets	4%	3%	4%
Debt/Equity	1:1	1:1	1:1

1/ After depreciation before financial charges

2/ Provision for taxes calculated at 45% of net profit

A. EVALUATION OF PERFORMANCE IMPROVEMENT POTENTIAL

SUITABILITY FOR IMMEDIATE DIVESTITURE ACTION

Recommendation: - A prime candidate for reform, rehabilitation and divestiture:

- A long-term planning and financial study should be carried with a view to:

  (i) producing an investment prospectus

  (ii) seeking a foreign private investor to participate in SOAVOANIO's developments.

1. Conclusion

SOAVOANIO is at a critical decision point. The company has an existing resource base of 4760 ha of coconut plantations and related copra producing facilities. Its operations presently turn a modest profit (without subsidy since 1983), but represent a minimal return on investment. However, by extending its scope of activity, SOAVOANIO may have the potential to increase profitability and become a foreign exchange saver. Realization of this potential would entail (1) renewal of its plantations, and (2) establishment of an oil pressing facility ("huilerie") to obtain crude oil from the copra it produces. Such a replantation program and oil pressing facility could represent a substantial and long-term investment, as much as Fmg 4.5 billion over 25 years, of which 50% in foreign exchange costs. Nevertheless, without this investment, SOAVOANIO's future is limited, for it faces unfavorable future prospects in the copra market.

2. Analysis

2.1 Market issues: SOAVOANIO needs to withdraw from the copra market and become a producer of crude coconut oil.

- SOAVONAIO's copra production capability substantially exceeds the absorption capacity of Madagascar's copra market.

- SOAVONAIO's present copra output of 3200 tonnes (1986) matches total demand in the local market.

  - Moreover, SOAVOANIO's production is likely to rise to as much as 7000 tonnes/year by 1992, even without plantation renewal.

  - The market for copra is unlikely to grow as soapmakers (existing copra users) are constrained by limited production capacity, ancient equipment and lack of foreign exchange to renew/expand operations.

  - This situation will lead to declining future returns for SOAVOANIO.

- The market for drinking nuts ("noix de bouche"), the only additional outlet for SOAVOANIO production, is negligible: 2-3 million nuts/year (350 - 500 tonnes copra equivalent).

o By contrast, opportunities may exist for SOAVOANIO in the market for crude coconut oil.

- The domestic edible oil market could easily absorb the eventual total annual production volume of SOAVOANIO (5500 tonnes crude oil).

  - Madagascar suffers from an extreme shortage of edible oil now (1986) estimated at 16,500 tonnes/year 1/
  - Unused refining capacity exists at SOMAPALM (total capacity 9000 tonnes/year) to which SOAVOANIO crude oil could be directed.

  - An increase in local edible oil production (SOAVOANIO/SOMAPALM) could bring down the present official retail market price of Fmg 1925/litre (Fmg 3000/litre in the parallel market) which is eight

1/ This figure assumes the WHO absolute minimum consumption standard of 2.5 kg of edible oil per person/year, compared to Madagascar's apparent actual consumption of 0.9 kg per person/year.

times the equivalent of the current world price of the cheapest refined edible oil [2/].

- The key to SOAVOANIO's successful entry into the domestic edible oil market will be the capacity to produce crude coconut oil at a competitive price delivered to the SOMAPALM refinery.

- Conditions are improving somewhat in the world edible oil market after the depressed prices of 1985-1986.

  - Recent IBRD projections place coconut oil prices at US $ 400/tonne (1990) and US $ 500/tonne (1995) (constant 1985 US $), as compared to US $ 250/tonne (1986).

  - While it is unlikely SOAVOANIO can become a coconut oil exporter, a combination of substantial productivity increases and a 40% - 50% devaluation would enable SOAVOANIO to compete in financial terms with commercially imported coconut crude oil.

2.2. Technical issues: To become a competitive crude oil producer SOAVOANIO must seek to achieve greater levels of productivity throughout its operations.

o At the plantation level dramatic productivity improvements are possible through a replantation of Zones I through III with improved planting material.

  - A total of as much as 4700 ha might be replanted at a rate of 200 ha/year using hybrids (Grands Locaux/Nains Jaunes ou Rouges de Malaisie) produced in SOAVOANIO's nurseries ("champs Semenciers").

  - These hybrids promise to raise productivity from roughly 1 tonne copra/ha to 2.25 tonnes copra/ha (through increased

2/ Soybean oil US $ 285/tonne FOB Brazil January 1986.

number of nuts/tree, increased density/ha, higher yield/nut).

- A recent study [3/] has recommended full replantation of SOAVOANIO's coconut lands (4700 ha at 250 ha/year).

- SOAVOANIO's management believes a more restricted program (e.g., 1500 ha 150-200 ha/year) is more appropriate; hence while a replantation effort is essential, the proper scope of that effort must be re-examined.

o At the copra manufacturing level, productivity can be raised through a better organisation of time and motion (decentralization of ovens in zones, extension of work day), eventually reducing processing time from 18 days to 12 days.

o At the crude oil level, prospective productivity levels are linked to a choice of two possible technical options:

- Various studies (Planco) [4/] have examined the feasibility of a large scale 8000 tonnes/year central copra pressing facility.

  - Such an option is technically feasible but represents overcapacity in the short term, and has not been analyzed in a comprehensive way (e.g., integration of replantation and oil press investments, comparison of "with" and "without project" scenarios to measure net returns).

- A series of mini processing facilities ("mini huilerie" model Mechanique Modern 350 kg/hour) represents a technically feasible alternative to the centralized 8000 tonnes option.

3/ BMB, Etude d'Organisation et de Gestion de las Societe Sambava VOANIO, October 1986.

4/ Planco, Etude d'une Huilerie de Copra Rapport Phase II, September 1986.

- This options would (1) permit modular extension of the oil production program in coordination with the pace of copra production; (2) permit a decentralization of oil processing which may be better adapted to the physical layout of the SOAVOANIO plantation zones; (3) require certain limited infrastructure (water supply in particular).

- This option is preferred by SOAVOANIO management and should be analyzed in detail to demonstrate technical implications and financial viability relative to 8000 tonnes/year facility analyzed by Planco.

2.3. Financial issues: SOAVOANIO's present returns are marginal but might be improved through the proposed replantation - oil press investment.

o Over the last three years SOAVOANIO's annual return on total assets has been about 4%.

  - This would appear to be unacceptably low.

  - With increasing overproduction of copra, even these marginal returns will be threatened in the future.

  - The broader market opportunities and higher value-added involved in producing crude oil may represent the means to increasing the returns to SOAVOANIO's assets.

o However, replantation and establishment of an oil processing facility require a major (foreign exchange) investment well beyond SOAVOANIO's means.

  - At the plantation and copra manufacturing level, replanting could cost roughly US $5.5 million over a twenty-five year period, assuming full 4700 ha replantation.

- Immediate investment costs for renewal of plantation and copra manufacturing - related plant and equipment (including vehicles) may run to about US$ 1.6 million over 6 years (assume 85% foreign exchange costs).

- Additional replantation establishment costs may run to about US$ 3.9 million over 25 years (a total of US$ 1100/ha spread over 7 years/ha; assume 50% foreign exchange costs);

- Additional investment will be required to establish modest level of infrastructure in the plantation zone centres and related worker villages.

- To establish an <u>oil pressing facility</u>, investment expenditures required could be alternatively:

  - At least Fmg 2 billion in a lump sum investment for the 8000 tonnes facility (80% in foreign exchange).

  - A similar sum, phased over time, to purchase eight mini oil presses (equivalent to 8000 tonnes/year) at about Fmg 240 million per press plus related investments.

- In addition to the foreign exchange component of investment costs, SOAVOANIO needs continuing access to foreign exchange to purchase the inputs (fertilizer, insecticides, etc) required to achieve maximum plantation yields (estimated at US$ 145/ha/year)

To meet this investment, a foreign partner is required both to provide new equity and to help obtain foreign exchange debt financing.

- The foreign partner would be prepared to make a long-term investment in SOAVOANIO.

- SOAVOANIO would need to reorganize its Conseil d'Administration to designate seats ("mandataires") explicitly representing the state.

- SOAVOANIO's present system of cost accounting ("comptabilite analytique") would need to be expanded to yield detailed and timely information.

- Additionally SOAVOANIO must decide on an offer of investment from CIPEF, a Belgian firm which has proposed a 60% equity in a new venture to exploit SOAVOANIO's plantations and operate a new oil mill.

  - CIPEF's proposed formula would radically change SOAVOANIO's role in projec operations

  - SOAVOANIO's present system of cost accounting ("compatabilite analytique") would need to be expanded to yield detailed and timely information.

B. IMPLICATIONS FOR DIVESTITURE ACTION

1. Action Necessary

- Sale of up to 49% of shares to a foreign private partner in a recapitalized SOAVOANIO.

  - Foreign partner would provide access to foreign exchange for replantation and oil press investment.

  - New share capital base would represent existing SOAVOANIO net equity plus the equity portion of the initial replantation - oil mill investment.

2. Potential for Immediate Action

- Sale should take place within two years given urgency of replantation and oil pressing facility requirements.

- Preconditions would include:

  - Application of the Investment Code or a joint venture contract to permit guarantee of the investor's rights;

  - Transformation of the legal status of SOAVOANIO to Societe d'Economie Mixte;

  - Resolution of the "Compte courant d'Etat" items on SOAVOANIO's balance sheet:

    - Represents coconut lands of former "Operation Cocotier Sambava"

    - Carried as a debt but without explicit arrangement for payment of interest or principal.

  - Convention or similar agreement between the State and SOAVOANIO to guarantee access to foreign exchange:

    - Could be in a "contrat-plan" framework with foreign exchange budget projections.

    - Renewable annually.

- Feasibility study of proposed replantation-oil pressing facility investment:

    - Would build on existing BMB replantation study as modified by SOAVOANIO management, but would also examine mini-oil press option.

- Would constitute a dossier to use in promoting SOAVOANIO with potential foreign partners.

C. BUSINESS PLAN

1. Enterprise Objective: Raise SOAVOANIO's profitability by transforming the enterprise into an efficient integrated producer of high quality crude coconut oil for the domestic Madagascar market.

2. Business Strategy: Progressively adjust SOAVOANIO to market opportunities for supply of crude coconut oil through modular establishment of oil processing facilities. Enhance competitiveness by raising productivity through replantation with improved coconut varieties.

3. Action Program:

3.1 Market:

Short term (1988-1990). Begin progressive change from copra to crude oil production with sales targets as follows:

	1988	1989	1990
Output copra (tonnes) a/	4357	4827	5377
Oil (tonnes) b/	609	1218	1827
Nuts (tonnes) c/	3	3	3
Copra sales (tonnes)	2807	2227	1727

a/ Based on BMB, Etude d'Organisation et de Gestion de la Societe Sambava VOANIO, October, 1986

b/ Copra to crude oil conversion at 58%

c/ Assumes 6 nuts equivalent to 1 kg copra

Medium term (1991-1993). Complete reorientation of all production to crude oil (except modest nut sales) with sales targets:

	1991	1992	1993
Output copra (tonnes)[a/]	5841	6046	6069
Oil (tonnes)[b/]	3098	3216	3230
Nuts (tonnes)[c/]	3	3	3

a) Based on BMB, Etude d'Organisation et de Gestion de la Societe Samba VOANIO, October, 1986

b/ Copra to crude oil conversion at 58%

c/ Assumes 6 nuts equivalent to 1kg copra

Long term (1994-forward). Increase oil production as plantation's copra output increases:

	1994	2000	2007
Output copra (tonnes)[a/]	6074	8529	9210
Oil (tonnes)[b)]	3233	4657	5052
Nuts (tonnes)[c/]	3	3	3

a) Based on BMB, Etude d'Organisation et de Gestion de la Societe Sambava VOANIO, October, 1986

b/ Copra to crude oil conversion at 58%

c/ Assumes 6 nuts equivalent to 1 kg copra

3.2 Plantation: Begin to renew existing plantations of Grands Locaux with higher performing hybrids. Following BMB recommendations, a maximum program could be:

Zone II	- 1026 ha	1988-1991
Zone I	- 1518 ha	1992-1997
Zone III	- 1986 ha	1998-2001
Zone IV	- 1180 ha	2002-2006

An alternative more modest program (favoured by SOAVOANIO's management) would be replantation of approximately 1500 ha total in Zones I-III at a pace of 200 ha/year.

3.3 Oil Pressing: Establish a copra pressing facility based on mini-pressing units capable of processing 350 kg/hour of copra (203 kg/hour crude oil equivalent) beginning with one unit in 1988. Purchase additional units in line with growth of copra production and market sales targets, for example:

	1988	1989	1990	1991	1992	1994	2000	2007
Copra available (tonnes) a/	1050	2100	3150	5340	5545	5570	8030	8710
Units required	1	2	3	5	6	6	8	9
Oil output (tonnes)	609	1218	1827	3097	3216	3230	3233	4657

a/ Excludes equivalent of 3 million nuts per year sold as drinking nuts and volumes allocated to copra sales target in period 1988-1990.

4. Resource Requirements:

4.1 Plantation: Renewal of the plantation would require new or replacement investment in copra ovens, tractors and trailers, and in equipment for replantation works (tree-felling, replanting, etc.), workshops and plantation road maintenance; and investment in buildings (copra warehouse, fertilizer warehouses, and quarters and related infrastructure). The bulk of these costs are projected for the period 1988 through 1993. Additional investment would be required to establish and bring into production the annual replantation blocks in each zone. Investment costs might be summarized as follows for selected years:

	1988	1989	1990	1991	1992	1993	1994	2000	2007
Ovens, equipment and buildings a/	468	159	157	140	232	115	14	42	--
Replantation b/	54	65	112	126	153	184	216	216	216

a/ Based on BMB, Etude d'Organisation et de gestion de la Societe Sambava VOANIO (Phase 2) October 1986, Table 8.1.
b/ Ibid, Table 8.4

4.2 Oil Pressing: Investment would be required in mobile mini oil pressing units beginning in 1988. Each unit is projected to cost about Fmg 165 million delivered Diego Suarez. As a rough indicator, this figure is increased by 15% to account for additional delivery and infrastructure costs to be incurred. The oil pressing units would also give rise to new working capital requirements. Nationally additional working capital might amount to approximately Fmg 30 million per unit. Tractor-trailer sets to service the processing units might add another Fmg 20 million per unit. Incremental new investment might be scheduled as follows (excludes replacement investment):

(Fmg millions)

	1988	1989	1990	1991	1992	1993	1994	2000	2007
Pressing units	190	190	190	380	190	----	----	380	190
Tractor-trailers	20	20	20	40	20	----	----	40	20
Working capital	30	30	30	60	30	---	----	60	30

5. Performance Impacts:

5.1 Financial Performance: SOAVOANIO's principal enterprise level objective would be to raise the profitability of its investment. Enhanced productivity and shift from copra to a higher value output (crude coconut oil) should achieve this objective. A comprehensive market, technical and

financial feasibility study for the expanded SOAVOANIO would project financial impacts in detailed rate of return and cash flow terms. In the meantime:

- Replantation. In its analysis of a proposed replantation program, BMB calculated return on net equity to vary between 20% and 50%.

- Oil Mill. Both BMB and Planco have found oil mills of various configurations to be financially viable, with rates of return of 46% and 14%, respectively. 5/

The profitability of SOAVOANIO's presently proposed mini oil press strategy for crude oil production remains, however, to be determined. As a rough first approximation, estimates of the financial returns to these mini units are presented in Tables 1 and 2. It will be noted that, after incorporating the plantation and copra manufacturing productivity improvements and costs projected by BMB, and after assuming a reasonable product price level and cost structure, the mini oil press appears to yield returns on investment superior to those now earned by SOAVOANIO on its existing assets. Addition of the mini presses to SOAVOANIO's asset base would appear to raise its overall weighted average rate of return on investment, thus achieving its increased profitability objective.

5.2 Competitiveness of SOAVOANIO Crude Oil Output: The expanded SOAVOANIO would be the only significant industrial producer of crude coconut oil in Madagascar. At some point it would likely face competition from imported crude coconut oil. A brief analysis suggests that SOAVOANIO production would not be competitive with imports at present prices and exchange rates, but could become so given certain favourable world price and exchange rate shifts. Specifically:

5/ BMB, Etude d'Organisation et de Gestion de la Societe Sambava VOANIO (Phase 2), October 1986, p.87; and Planco, Etude d'une Huilerie De Copra Rapport Phase II, P.4-45.

Table 1: Mini Oil Press Unit (1350 kg copra/hr) Indicative Net Revenue per kg. Crude Coconut --- Produced at Selected Copra Prices (Fmg/unit a)

Item		Projected Year 1.	5.	10.
Raw Material[b]		196.0	200.3	173.5
Other costs				
- labour[c]	Fmg 0.54			
- power[d]	Fmg 8.04			
- maintenance[e]	Fmg 4.70	13.3	13.3	13.3
General Overhead[f]		12.5	12.8	11.2
Vehicle Operation[g]		8.0	8.0	8.0
Depreciation[h]				
- oil press	Fmg 18.01			
- vehicle	Fmg 3.17			
- warehouse	Fmg 1.61	22.8	22.8	22.8
Financing charges				
- fixed assets[k]	Fmg 11.71			
- working capital	Fmg 5.71	17.4	17.4	17.4
Cost per kg copra				
- before financing		252.6	257.2	228.8
- after financing		270.0	274.6	246.2
Cost per kg oil (copra x 1.72)				
- before financing		434.5	442.2	393.5
- after financing		464.4	472.3	423.5
Container[m]		23.2	23.2	23.2
Cost -- factory				
- before financing		457.7	465.6	416.7
- after financing		487.6	495.5	446.7
Price -- factory[n]		550.0	550.0	550.0
Net revenue per kg				
- before financing		92.3	84.4	133.3
- after financing		62.4	54.5	103.3

Notes

a/ Assumes mini oil press (type Mecanique Modern "Huilerie en Container") capacity 350 kg copra per hour, 58% extraction rate and annual operation of 12 hours x 250 days, or annual throughput of 1050MT copra and annual output of 609MT crude coconut oil.

b/ Based on BMB, Etude d'Organisation et de Gestion de la Societe Sambava SOAVANIO (Phase 2), October 1986, Tables 4.2 and 8.4.

c/ Assumes 6 workers averaging Fmg 1500 day working staggered 8 hour shifts over 12 operating hours.

d/ Assumes operating cost of annually Fmg 2816/hour for 50 KVA power source.

e/ Assumes 3% of CIF cost allocated to 3000 operating hours at 350 kg copra/hour.

f/ Assumes 6% of sum of cost of copra plus other costs.

g/ Represents transport associated with oil press operation. Notional figure.

h/ Assumes 10 year depreciation of estimated oil press set-up value of Fmg 190 million.

i/ Assumes 6 year depreciation of tractor/trailer valued at Fmg 20 million.

j/ Assumes warehouse 15m x 15m at Fmg 150,000/m^2 depreciated at 5% per annum.

k/ Assumes 60 percent of capital cost of oil press, vehicle and warehouse is financed at a rate of interest of 15% on an average outstanding loan balance of Fmg 82 million.

l/ Assumes working capital of Fmg 30 million is financed at a rate of interest of 20%.

m/ Assumes 2000 litre (1800 kg oil) container cost of Fmg 250,000 with 6 rotations per container.

n/ Represents price charged by SOMAPALM's Ivondro oil extraction unit for crude oil.

Source: Coopers & Lybrand

Table 2: Mini Oil Pressing Unit (1050 tonnes Copra/Year): Indicative Net Annual Revenue and Return on Investment at Selected Copra Prices

(Fmg million)

Projected Year	(1)	(5)	(10)
Net Revenues a/			
o before financing			
crude	56.2	51.4	81.2
press cake	13.2	13.2	13.2
total	69.4	64.6	94.4
o after financing			
crude oil	38.0	33.2	62.9
press cake	13.2	13.2	13.2
total	51.2	46.4	76.1
Return on Investment b/			
o before financing	25%	24%	34%
o after financing	52%	47%	78%

Notes

a/ Based on the net returns per unit estimated in Table 1 for each of the three projected years. Estimates assume the output of one mini oil press producing per year

- o input 1050 tonnes copra
- o output 609 tonnes crude oil
  441 tonnes press cake

Net returns assume unit prices of Fmg 550/kg crude oil and Fmg 30/kg press cake (unpacked). Given the fact that the market for press cake has not yet been clearly defined, this latter figure represents less than half the press cake unit price assumed by Planco, Etude d'une Huilerie de Copra Rapport Phase II, September 1986, p. 4-24.

b/ Assumes a total investment base per each mini oil press unit:

	Total Investment	Equity Share
	----------Fmg million--------	
o oil press and related infrastructure	190	76 (40%)
o vehicle	20	8 (40%)
o warehouse	34	14 (40%)
o working capital	30	-- (debt financed)
Total	274	98

Source: Coopers & Lybrand

- At recent exchange rates, crude coconut oil prices and transport costs, and with Madagascar's present tariff structure, SOAVOANIO's projected output would not be competitive with the landed price of imported crude oil.

- At recent world oil prices and transport costs and with the present tariff structure, but assuming a 50% devaluation of the Fmg versus the US$, SOAVOANIO production could be competitive with the landed price of imported oil.

- Finally, assuming a 50% devaluation of the Fmg/US$ rate and roughly a US$ 100 increase in the world crude coconut oil price, SOAVOANIO's production could be competitive with imported oil even at border prices. A $100 increase in world crude coconut oil prices-from US$ 417/MT to US$515MT in 1987 terms would not appear an unreasonable prospect given recent IBRD crude coconut oil price projections of US$/tonne (1990) and US$ 600/tonne (1995) (1987 US$ terms).

These estimates are outlined in Table 3.

Additionally, it has been suggested that SOAVOANIO might become an exporter of coconut oil. However, given the prices and costs of production assumed for the proposed mini oil press, it appears that SOAVOANIO output would become competitive in the world market only with a 100% devaluation of the Fmg/US$ exchange rate coupled with a greater than doubling (118%) in recent world crude coconut oil prices. Table 4 provides details. While world crude oil coconut prices have in the past been as high as US$ 730/tonne (1983) and US$ 1155/tonne (1984), the world price of US$

909/tonne implied by Table 4 appears somewhat unlikely in light of IBRD crude coconut oil projections, which rise no higher than US$ 780/tonne for the year 2000 (current dollar terms).

Table 3: Estimated Competitive Advantage of Mini Oil Pressing Unit Production Relative to Crude Coconut Oil Imported into Madagascar

	Fmg (000)		
Exchange Rates Assumed:	US$ 1= Fmg 810	US$ 1= Fmg 1215	US$ 1= Fmg 1215
SOAVOANIO crude oil			
. price ex-factory a/	550	715.3 b/	715.3 b/
. transport	85	119.1 c/	119.1 c/
. delivered SOMAPALM	635	834.4	834.4
. (US$ equivalent)	($784)	($687)	($687)
Imported crude oil			
(US$ base price)	(417) d/	($417) d/	($515)
. base price	337.8	506.7	625.7
. freight e/	133.4	200.0	200.0
. freight surcharge f/	8.7	13.0	13.0
. insurance g/	3.4	5.1	6.3
. CIF Toamasina	483.3	724.8	845.0
. duties & taxes			
- customs h/	72.5	108.7	126.8
- import tax i/	6.0	6.0	6.0
. handling j/	20.0	20.0	20.0
. delivered SOMAPALM	581.7	859.5	997.8
US$ equivalent	($718)	($707)	($821)

Notes

a/ Price from Table 1
b/ Assumes 60% foreign exchange content of crude oil product.
c/ Assumes 80% foreign exchange content.
d/ Crude coconut oil price CIF Rotterdam US$/MT, January 1987.
e/ Freight northern Europe to Toamasina 147 ECU/MT with rate of exchange 906 Fmg=1ECU.
f/ Surcharge at 6.5% of base freight charge.
g/ Insurance at 1% of FOB value.
h/ 15% of CIF value
i/ Assumed Fmg 6/kg net.
j/ Represents port handling and delivery to SOMAPALM refinery.

Source: Coopers & Lybrand

Table 4: Estimated Competitive Advantage of SOAVOANIO Mini Oil Pressing Unit Production in World Export Market

	Fmg (000)		
	US$ 1= Fmg 810	US$ 1= Fmg 1620	US$ 1= Fmg 1620
World Price CIF Rotterdam	$417 a/	$515	$909
(Fmg equivalent)	(337.8)	(834.3)	(1472.4)
SOAVOANIO Crude Oil			
. price ex-factory	550 b/	979.7 c/	879.7 c/
. transport Sambava to Toamasina	75	135.0 d/	135.0 d/
. handling/loading	20	36.0 d/	36.0 d/
. price FOB Toamasina	645.0	1050.7	1050.7
. freight e/	192.8	385.6	385.6
. freight surcharge f/	12.5	25.1	25.1
. insurance g/	6.5	11.0	11.0
. CIF Rotterdam	856.8	1472.4	1472.4
(US$ equivalent)	($1058)	($909)	$909

Notes

Source: Coopers & Lybrand

a/ Crude coconut oil price CIF Rotterdam US$/MT, January 1987.

b/ From Table 2

c/ Assumes 60% foreign exchange content of crude oil product.

d/ Assumes 80% foreign exchange content.

e/ Base freight charge Toamasina to Rotterdam 212.5 ECU with rate of exchange Fmg 906 = 1 ECU.

f/ Surcharge at 6.5% of base freight charge.

g/ Insurance at 1% of FOB value.

Source: Coopers & Lybrand

6. Organizational, Structural and Management Requirements

6.1 Recapitalization of SOAVOANIO. Transformation of SOAVOANIO into an integrated crude oil producer will require substantial new investment. This investment would be financed through a recapitalization featuring infusion of new equity capital and acquisition of new debt. Because the edible oil industry focuses upon what Government considers a strategic basic product ("produit de premiere necessite"), after recapitalization the State could continue to hold a majority ownership (e.g., 50.5%), and could pay in kind and in cash such new equity as would be required.

6.2 Equity of a Foreign Partner. A major share of the replantation and oil pressing capacity investment would be in foreign exchange. A foreign investor would therefore be sought to participate in the development of SOAVOANIO. This investor would both bring new capital to the enterprise (up to 49.5% of shares) and would assist in arranging foreign exchange loans.

6.3 Transformation to Societe d'Economie Mixte. To allow foreign private participation in SOAVOANIO, the enterprise would change its legal status from Societe d'Etat to Societe d'Economie Mixte. This transformation would require an exception to the requirements of the Charte des Entreprises Socialistes, an action to be ultimately ratified by the National Assembly. (Precedent for such an exception exists in the case of Famama, transformed from a Ferme d'Etat to a Societe d'Economie Mixte).

6.4 Guarantee of Investment. To permit promotion of SOAVOANIO with potential foreign partners, a framework of appropriate investment guarantees must be established. Because the Code des Investissements is not yet legally binding and possesses certain weaknesses, such guarantees might be encompassed in a joint venture contract ("contrat de partenariat") between Government, SOAVOANIO and the eventual foreign partner.

6.5 Guarantee of Foreign Exchange Requirements. Because the success of SOAVOANIO's proposed reorientation would rest upon timely access to adequate foreign exchange (for purchase of equipment, annual purchase of fertilizer, repayment of foreign exchange loans and interest, and eventual payment of dividends and repatriation of capital), the above-cited joint venture contract would also provide the enterprise guaranteed foreign exchange allocations. Specific commitments might be made on an annual basis within the framework of projections incorporated in a budget established in a yearly "contrat-plan" between Government and SOAVOANIO.

6.6 Resolution of the SOAVOANIO Balance Sheet Item "Comptecourant Etat". This liability, in theory a debt to the State requiring payment of interest and repayment of principal, has in practice been treated as a government grant. Its status must be clarified before promoting SOAVOANIO with potential foreign investors. One approach might be to revalue the coconut lands which it represents and consider this revalued asset to be a Government equity contribution in the recapitalized SOAVOANIO.

6.7 Development of Enterprise Management. The organizational and management recommendations made by BMB, Etude d'Orgnanisation et de Gestion de la Societe Sambava VOANIO (October 1986) would be put in place. These would include notably, the establishment of the oil pressing operations as a separate SOAVOANIO department, development of SOAVOANIO's cost accounting to give more detailed and timely information on real costs, and hiring of a Director of Finance and Administration.

7. Phase II Study: A complete feasibility study of the transformation of SOAVOANIO to an integrated crude oil producer should be undertaken in Phase II. This study would examine the market, technical, financial and organization viability of the transformed SOAVOANIO, including its proposed replantation program and mini oil pressing unit. This study would serve as the basis of a dossier for purposes of promoting investment in SOAVOANIO with potential foreign partners.

SOCIETE SAMBAVA VOANIO

I . CREATION

1. Forme juridique

La SAMBAVA VOANIO avait été créée par décret n°79-077 du 11 mars 1979 sous la forme juridique de Société d'Etat. Ce décret déroge à l'article 60 de la Charte des Entreprises Socialistes. En effet, l'Etat détenant au moins 51 % du capital de la SAMBAVA VOANIO, la forme juridique qui aurait dû être adoptée à sa création est celle d'une entreprise socialiste.

2. Objet social

Ce décret fixe l'objet de la SAMBAVA VOANIO comme suit :

- L'exploitation et la gestion des cocoteraies de taille industrielle existantes ou à créer sur des surfaces qui lui sont concédées par l'Etat ;

- L'achat, la transformation des produits primaires ainsi que toutes opérations commerciales qui y sont liées ;

- Le développement de la nuciculture en milieu villagois par l'approvisionnement en moyens de production, l'encadrement technique et l'incitation tendant à la coopérativisation des producteurs ;

- La surveillance pour le compte de l'Etat, de tous travaux exécutés par des tiers et dont elle est bénéficiaire.

3. Le Capital social

Le capital social de la Société a été fixé à 200 000 000 de FMG souscrit par l'Etat Malagasy, les Sociétés d'Etat et éventuellement par les Collectivités décentralisées.

.../...

4. Statuts de la SAMBAVA VOANIO

Les statuts, ainsi que les modalités de fonctionnement de la SAMBAVA VOANIO ont été approuvés par voie de décret, celui portant le n°79-077 du 21 Mars 1979, ci-dessous indiqué.

II . ORGANISATION ET FONCTIONNEMENT

1. Gestion de la Société SAMBAVA VOANIO

- Suivant décret pris en Conseil de Ministres portant le n°80-062 du 5 Mars 1980, Monsieur ANDREAS Claude Rostand a été nommé Directeur Général de la Société d'Etat SAMBAVA VOANIO.

- La Société est administrée p r un Conseil d'Administration composé de huit membres. La nomination des Administrateurs de la Société SAMBAVA VOANIO fait l'objet d'un décret portant le n°79-203 du 2 Août 1979.

2. Le contrôle de la Société SAMBAVA VOANIO

a)- le contrôle de tutelle

Le contrôle de tutelle de la Société est exercé par le Ministre du Développement Rural et de la Réforme Agraire (actuellement, le Ministre de Production Agricole et de la Réforme Agraire), ainsi que par le Ministre auprès de la Présidence chargé des Finances et de l'Economie.

b)- Contrôle administratif et financier

. L'assemblée générale ordinaire nomme pour trois ans un Commissaire aux Comptes titulaire et un Commissaire aux Comptes suppléant, choisis sur une liste établie par le Ministre auprès de la Présidence chargé des Finances et de l'Economie. Ces Commissaires aux Comptes ont pour mission de vérifier la régularité et la sincérité des comptes.

.../...

• Le Commissaire du Gouvernement, désigné par le Président de la République a tous oouvoirs d'investigation sur pièce et sur place. Il dresse à l'intention du Chef de Gouvernement un rapport annuel d'ensemble sur les activités de la Société et sur la situation financière. Ce rapport sera diffusé aux Ministres de tutelle et aux associés. Toutefois, la désignation du Commissaire du Gouvernement n'a pas encore eu lieu.

1. BASIC DATA SHEET

ENTERPRISE NAME : SOMALAC's Industrial and Commercial Division *

LOCATION : Alluvial plain of Lake Alaotra

LEGAL STAUS : Entreprise Socialiste

SHAREHOLDING : 100 % State

ACTIVITIES : Rice milling and distribution

STAFF : 221

KEY FINANCIAL INDICATORS (in Fmg millions)

Period ended (1)	Dec. 31, 84	April 30, 86	April 30,87
Sales	12,178	11,489	1,587
Operating Profit/(loss)	1,223	945	(138)
Net Profit/(loss)	130	1 580 (2)	(3224) (3)
Cash Flow from operations	161	1 676	(2976)
Total Assets	4 688	2 160	
Total Debts	4 634	579	
Net Equity (4)	54	1 581	
Operating Profit/Sales	10.0 %	8.2 %	
Operating Profit/Total assets	26.1 %	43.8 %	
Total debts/Net equity	86:1	0.4:1	

* SOMALAC as a whole is covered in the monitoring section of this report.

(1) 12 month periods except April 30, 1986 which comprised 16 months.

(2) Including Fmg 1,226 millions which represents the write-back of prior-year provisions.

(3) Including Fmg 2,013 millions of stock provisions.

(4) Excluding equity of "EIC" which has funded other activities of SOMALAC.

2. SUITABILITY FOR IMMEDIATE DIVESTITURE ACTION

RECOMMENDATION : POSTPONE ACTION

A. EVALUATION OF PERFORMANCE IMPROVEMENT POTENTIAL

CONCLUSIONS

- The introduction of an experienced, private-sector rice-miller/distributor as co-investor and operator would diminish financial risk and provide opportunities for improved returns.

  . Whereas we have no reason to doubt the capacity of SOMALAC's management, the experience and know-how of a private-sector businessman might be expected to mitigate losses due to unforeseen fluctuations in the price of rice and paddy.
  . An operating-lease ("bail-gerance") arrangement, common in French-speaking business environments, would assure for SOMALAC's remaining activities both continuing income as well as a share in any future improvements in the profitability of the milling/distribution business.
  . The technical know-how as well as the cash resoures which it is envisaged to be provided by a miller-investor would facilitate the up-grading of the milling machinery and other equipment for greater efficiency and cost-saving.
  . Separating the milling/distribution business from the remainder of SOMALAC would help avoid any confusion between that businesses' profit-making objectives and SOMALAC's irrigation and extension activities which are partly or wholly in the nature of public services funded by the Government.

CONSTRAINTS

- Potential investors who are knowledgeable about the rice business in Madagascar are likely to be hesitant about extending their commitments at this time.

  . Like SOMALAC itself, most rice millers/distributors are believed to have incurred losses as a result of Government intervention in the rice market in 1986/1987 and may fear that such intervention will occur again.

- The margin available for milling and distribution costs and for the remuneration of capital is tightly circumscribed.

  . Government guarantees minimum prices to paddy farmers and also acts to moderate the retail price of rice. (Although smaller, private-sector millers/rice dealers may pay farmers less than the guaranteed minimum, an operation of the size and regional economic importance of SOMALAC is bound to respect Government ordinances, whoever its owners might be).

ANALYSIS

MARKET ISSUES

- SOMALAC's rice milling/distribution business has strategic importance :

  . The 35,775 tons of rice which SOMALAC budgets to market in 1987/88 represents a substantial proportion of rice distributed through commercial channels in Madagascar.

- The activities of SOMALAC's rice milling/distribution business have a potential impact on the price of rice.

  . Control of SOMALAC's rice milling/distribution business gives the Government additional leverage to moderate prices to the consumer.

- Social as opposed to commercial objectives underlie the Division's activities.

  . The division's 1987/88 budget states that it will seek to maintain a "reasonable" ex-factory price of Fmg 300 per kilo.

TECHNICAL ISSUES

- Stock losses and maintenance and other production costs could be reduced and the quality of rice improved by the investment of about Fmg 500 millions in more efficient paddy cleaning equipment and discreet improvements in the production line .

  . A March 1986 evaluation prepared by SOMALAC in the light of recommendations made by technical experts concluded that the projected investments would provide a relatively low financial return and should be shelved.

- It appears likely that higher yields of rice from a given quantity of paddy could be obtained with modern milling equipment.

  . SOMALAC's rice mills and related plant and equipment are antiquated.

FINANCIAL ISSUES

- The rice milling/distribution business in Madagascar represents considerable dangers to a potential investor :

  . This is illustrated by losses in excess of Fmg 2 billions which SOMALAC currently expects to incur when it mills and sells 21,000 tons of paddy and 1865 tons of rice in stock at April 30 1987. The losses are the result of large fluctuations which occured when the Government intervened in the market after the market was liberalized in 1986.

- On the other hand, good-commercial returns are shown to be possible given an absence of renewed, uncontrolled and unforeseen swings in prices :

  . The Division's budget for the coming year foresees an operating profit of Fmg 931 millions. (That is after charging the cost of interest on crop-cycle finance but excludes the loss on existing stocks referred to above).

- A marginally more aggressive commercial stance could net up an additional billion francs in profit for SOMALAC.

  . SOMALAC's budget foresees a "reasonable" ex-factory price of Fmg 300 per kilo. But a wholesale price of up to Fmg 330 would be more in line with a current retail price of Fmg 350 and would represent additional revenues of approximately Fmg 1 billion.

ORGANIZATIONAL/ADMINISTRATIVE ISSUES

- From an organizational/administrative standpoint, it should be relatively easy to sever the milling/distribution business from the rest of SOMALAC.

  . SOMALAC as a whole has a well-defined organizational structure which reflects its three operating divisions as separate profit or cost centers.
  . Computer-based accounting, which has recently become fully operational, provides complete financial information and accounts for each of SOMALAC's operations, including the milling/distribution business.

- Eventual divestiture may be facilitated by an operating-lease ("bail-gerance") arrangement which does not necessitate major legal restructuring. Under such an arrangement, SOMALAC would retain ownership of the businesses, and buildings and plants.

B. IMPLICATIONS FOR DIVESTITURE

- Divestiture could present attractive advantages, but there are important questions of Government policy to which answers must be sought before proceeding with a full corporate study and the search for an investor-mill operator/distributor :

  . What constraints, if any, is the Government willing to apply to its future interventions in the local rice market ?
  . Will the strategic importance of SOMALAC's rice milling/ distribution business preclude divestiture ?

- In view of all of the foregoing we recommend postponing further action at this time but propose including an economic analysis of divestiture in a subsequent study.

SOCIETE D'AMENAGEMENT DU LAC ALAOTRA

(S O M A L A C)

I . CREATION

1°- Historique

La Société d'Aménagement du Lac Alaotra - SOMALAC avait été initialement créée le 9 mars 1961 par voie de décret portant le n° 61-126 de la même date, sous la forme juridique de "Société d'Economie Mixte". Un décret portant le n° 82-295 du 1er Juillet 1982 avait abrogé les dispositions du décret 61-126 ci-dessus indiqué.

Par la suite, la SOMALAC a été transformée à l'issue de l'arrêté n° 3083 du 2 Juillet 1982 en "Entreprise Socialiste". Selon l'article 7 de cet arrêté, l'entreprise SOMALAC est assujettie au secteur économique "production agricole".

2°- Objet social

L'article 2 de l'arrêté n° 3083 a fixé l'objet de la Société comme suit :

- D'une part, la recherche, la conception, l'expérimentation, la mise en oeuvre, le développement, le contrôle et le suivi des méthodes, techniques et moyens matériels et humains propres à améliorer et à accroître la quantité de riz dans la région du Lac Alaotra.

- D'autre part, l'étude et la réalisation, en direct ou en quantité de maître d'oeuvre, de tous projets et d'activité d'ordre socio-économique susceptibles d'améliorer les conditions matérielles et le niveau de vie des populations rurales situées dans le zone d'action de la Société.

.../...

3°- Capital social

Le capital de la SOMALAC est fixé à deux cent millions de francs malagasy (200 000 000 de Fmg) répartis comme suit :

	Montant en Fmg	Pourcentage
- Etat	171 000 000	85,5
- Demembrements de l'Etat	20 000 000	10,0
Partenaires :		
- C C C E	2 000 000	1,0
- SCET Madagascar	7 000 000	3,5
Total.....	200 000 000	100

4°- Statuts de l'entreprise socialiste

Les statuts de la SOMALAC sous forme d'entreprise socialiste ont été approuvés par l'arrêté n° 3083 du 2 Juillet 1982.

II . ORGANISATION ET FONCTIONNEMENT

1°- Gestion de la SOMALAC

M. RANDRIANARISOA Raymond Jean Fidel, Ingénieur d'équipement de première classe, a été nommé Directeur Général de la SOMALAC, suivant arrêté n° 3103/83 du 27 Juillet 1983. Il est chargé d'exécuter les programmes d'activité et les décisions du Comité de Gestion.

.../...

Le Comité de Gestion est composé, selon l'arrêté n°2790/83 du 24 Juin 1983, de dix (10) membres ainsi répartis :

- Le Président ;
- 4 représentants de l'Etat ;
- 1 représentant des Collectivités décentralisées ;
- 2 représentants des travailleurs de l'entreprise;
- 1 mandataire des partenaires de l'Etat ;
- Le Directeur Général ;

. L'arrêté n° 2791/83 du 24 Juin 1983 portant nomination des membres du Comité de Gestion de l'entreprise socialiste SOMALAC, n'a pas mentionné les noms des 2 représentants des travailleurs de l'entreprise au sein dudit Comité. En effet, ils sont élus par les travailleurs de l'entreprise.

2°- Le contrôle de l'entreprise socialiste SOMALAC

a)- Contrôle interne

L'ordonnance 78-006 du 1er Mai 1978 portant refonte de la Charte des Entreprises Socialistes a prévu dans son article 22 in fine le contrôle interne de l'entreprise exercé par son Comité de Gestion.

b)- Contrôle externe

. Un ou plusieurs contrôleurs sont nommés par le Conseil d'orientation. Ils ont pour mission :

- d'effectuer à tout moment les vérifications et les contrôles dont les ont chargés le Conseil d'orientation ;

..../.../...

- d'effectuer un rapport général annuel, au même titre que les Commissaires aux Comptes dans la Société Anonyme.

• Le contrôle des Ministères de tutelle n'est pas prévu par les textes. Toutefois, le Ministère de la Production Agricole et de la Réforme Agraire (MPARA) exerce sa tutelle sur l'entreprise socialiste SOMALAC.

ENTERPRISE : SOJUFA (Societe de jus de fruits d'Antsirabe)

LOCATION : Antsirabe

LEGAL STATUS : Societe D'Economie Mixte

CAPITAL : Fmg 100.1 million

OWNERSHIP : State 96.2%
BNI 3.8%

ACTIVITIES : Production and marketing of fruit juice, carbonated mineral water and fruit vinegar

STAFF : 138 in 1986

SOJUFA

KEY FINANCIAL INDICATORS (Fmg millions)

YEAR ENDED 31 DECEMBER		1984	1985	1986
Sales	Ventes	278	325	362
Profit from Operations	Resultat d'exploit-ation (1)	(7)	(62)	(48)
Net Profit	Resultat net	(62)	(129)	(171)
Cash Flow from Operations	Marge brut d'auto-financement	(53)	(120)	(162)
Total assets	Total actif	506	528	525
Total endebted-ness	Dettes totales	512	663	832
Net equity	Situation nette	(6)	(135)	(307)
Profit from Operations/ Sales %	Resultat d'exploit-ation/ ventes %	(252)	(19,08)	(13.26)
Profit from Operations/ Total assets	Resultat d'expoit-ation/ actif %	(1,39)	(11,75)	(9,15)
Debt/ Equity %	Dettes/Situation nette %	(8.533,34)	(491,12)	(271)

(1) Apres amortissement Avant Frais Financiers

SOJUFA

RECOMMENDATION: Corporate Study Undertaken. Further Feasibility Study to be undertaken immediately by the Association Professionelle des Banques de Magadascar (APBM)

A. EVALUATION OF PERFORMANCE IMPROVEMENT POTENTIAL

Conclusions

- o SOJUFA is currently technically bankrupt and with all sources of funding closed, will soon stop business

  - Each business faces very different competitive situations, has different investment and skill requirements, and different timeframes are needed to take remedial action; each business must be separately analysed.

  - The easiest business to reconstruct will be Visy Gasy (carbonated mineral water); the hardest will be the fruit juice business.

- o SOJUFA, ill-advised vinegar plant has caused much of the enterprises's decline in the short-term, this plant should be closed while feasibility studies of future options are undertaken.

  - As the plant is not covering variable costs, and further costs are being incurred on huge and apparently unsaleable stocks, the plant should be closed for the time being and stocks sold for whatever price the company can get.

  - The feasibility studies should:

    - evaluate potential size and profitability of domestic and regional vinegar market and of other products (e.g rum, cider, wine) that could be made in the same plant;

- identify potential buyer for the equipment.

o SOJUFA's fruit juice business should also be closed temporarily due to its inability to cover variable costs. However, it has major long run profit potential as a greenfield investment. A detailed feasibility study with different supply scenarios should be undertaken immediately.

- Immediate action to further assess current fruit juice profitability. If variable costs are still not being covered:

  . cease fruit juice production and sell stock (in bulk quickly if possible) to avoid incurring extra storage costs

  . transfer bottles and caps to VISY GASY operations where feasible.

- The feasibility study should aim to assess the 10 year sales and profit potential of SOJUFA's fruit juice business and should address the following main issues:

- national and regional markets; (previous studies have not adequately reviewed these aspects).

- the advantages or otherwise of using tied apple supply from the Ferme d'Etat BETAMPONA;

- production and price mixes related to current and anticipated output and demand.

o SOJUFA's VISY GASY business is currently very profitable. Efforts and resources in short term should be directed to increase production while a feasibility study on market potential and investment requirements is rapidly undertaken.

- Short-term improvements can be achieved by:

  . Diverting labour and bottles and caps of fruit juice and vinegar businesses toward VISY GASY (where feasible)

  . Improving access road to plant

  . Repairing truck or buying new one.

- The feasibility study should be undertaken rapidly - it should be fairly simple - to assess market potential, identify equipment needs commensurate with market demand and evaluate profitability.

ANALYSIS

1. Overall Performance

- SOJUFA is technically bankrupt. It has negative total debt (Fmg -336 million) and working capital (Fmg -585 million).

- All sources of funding have been closed to it (creditors, banks, government). With growing negative cash flow it has been unable to invest in new equipment, and now has no cash to purchase raw materials: its fruit juice business is relying on stocks.

SOJUFA CASHFLOW

(Fmg millions)

1984	1985	1986
-240	-392	-585

- This rapidly deteriorating situation will soon cause all business to stop. The causes of this situation and the potential to improve its performance can only be understood by looking in turn of each of its businesses.

  - o Vinegar
  - o Fruit Juice
  - o Visy Gasy
  - o Soda

2. Fruit Vinegar Business

Financial/Market Issues

o The Vinegar Plant has been a Financial Disaster for Sojufa

- It should be closed and stock disposed of as fast as possible. It should not re-open unless a full feasibility study can establish its future viability.

- Sales of fruit vinegar (less than 1% of total sales) currently account for 70% of SOJUFA's losses.

Significance of Sojufa's Vinegar Business

(Sales and Net Result for 9mths Jan to Sept 1986 - Annualised)

BUSINESS	SALES		NET RESULT	
	Fmg millions		Fmg millions	
Vinegar	0.9	1	(61.2)[2]	(70)
Fruit Juice	26.3	18	(53.7)	(62)
Visy Gasy	121.4	81	27.1	32
TOTAL	148.5	100	87.9	100

1. After financial charges.

2. This loss is understated: depreciation on the vinegar plant has been deferred. Using estimated annual depreciation charges an extra Fmg 23.5 million should be charged against the vinegar business for 9 months operations (ie Fmg 34.3 million per annum - see calculation below)

Estimated Annual Depreciation on Vinegar Plant (Fmg millions)

	Book Value	Depreciation p.a	Life (yrs)
Constructions	59.9	3.0	20
Equipment	186.3	23.3	8
Building Extensions	22.0	2.2	10
Installations	41.2	5.2	7
		34.3	

o The Vinegar Plant is unlikely to be viable in the medium term and certainly not without debt write-off

SOJUFA is unlikely to achieve profitability in its vinegar business

- SOJUFA has been unable to penetrate Madagascar's vinegar market (high price, initial poor quality) since commencement in 1982. It is operating at low levels of capacity utilisation, and has 130,000 litres in storage, equivalent to 56 years sales at 1985 levels. It has already disposed of [illegible] 000 litres from storage.

- SOJUFA's annual production capacity (750 million litres) is equivalent to more than twice the current volume of the entire Madagascan vinegar market (300-400 million litres per annum).

Data on Vinegar production and sales

	1982	1983	1984	1985	1986
Vinegar Production Volumes (000 litres)	16.9	5.1	3.0	22.7	2.3
Sales Value (Fmg millions)	7.3	2.5	1.8	12.9	1.1
% of total	5	2	2	10	1
Capacity Utilization (%)	3	1	1	3	-

- The vinegar plant apparently does not cover its variable costs, let alone making a real contribution to its estimated annual fixed costs of Fmg 83 million.

Estimated Current Vinegar Cost Structure

(9mths to Sept 1986 - Annualised)

			Current Variable Costs (Fmg '000s)
	Sales Volume	3250 litres	
	Sales Value:		903[1]
Less	Variable Costs:		
	Primary Materials	2285	
	Consumables	264	
	Factory Labour	50	
	Consumption Tax	99	
	Transport	860	3556
	Variable Margin		(2653)
Less	Fixed Costs		
	Personnel	10547	
	TFSE[2]	8166	
	Other	808	
	Depreciation	34840	
	Finance Cost	28140	82501
	Net Result		(85154)

1. Doubt has been expressed to SOJUFA's management on this figure, and a request has been made for verification. This figure implies an average sale price of Fmg 278 per litre, compared to expected revenue of Fmg 500 per litre. We note that, even if verification were to show this higher figure, it would still fail to cover variable costs.

2. Mainly electricity: considered semi-fixed because costs currently charged on storage of 130,000 litres.

Source: SOJUFA product profitability analysis

- Although not all the necessary information has been at our disposal during this limited review, it appears unlikely that this business could be profitable at all given the company's current financial structure.

- We also believe that it may be difficult to find alternative, viable products (e.g drinks) which would be made at SOJUFA using the vinegar plant's equipment.

The Vinegar Plant should be closed temporarily while further evaluation is made

- Two immediate action steps should be undertaken:

  - It is urgent that the product profitability analysis be verified: the exercise was performed by SOJUFA management as a first time exercise - it should be checked. If it confirms the vinegar plant is not covering its variable costs, no further production should take place and stocks should be sold or dumped (high electricity charges are incurred for storage).

  - Feasibility studies to evaluate the long term future of the vinegar plant should be undertaken. The analysis should isolate the vinegar investments and potential profitability as a separate business to ensure that a proper evaluation of its potential can be made and to ensure other businesses do not suffer from its costs. If synergies with the fruit juice business can be identified, later integration of the feasibility studies can be made.

o The feasibility studies should seek to:

- evaluate the potential size and profitability of identifiable markets - domestic and regional vinegar markets, other products (e.g rum, whisky, cider, wine)

- identify buyers for the equipment (possibly current wine and rum makers in Madagascar).

- If no viable long term future for the vinegar plant can be identified, it should be closed permanently, and the debt paid off by the government.

3. Fruit Juice business

Market Issues

Considerable Domestic and Regional market potential exists if financial and technical constraints can be overcome.

- Fruit juice was SOJUFA's second main business but its importance has shrunk, due to lack of finance and dilapidated equipment rather than competitive action or market collapse.

- For example: In December 1984, production was stopped due to quality control problems and not recommenced until May 1985. Inability to buy fruit (lack of cash) has resulted in production in 1986 being based solely on stocks of fruit concentrate: exhaustion of stocks of grenadelle and pineapple has eliminated sales. Technical problems and lack of cash for bottles has prevented movement of more stock (Fmg 68.6 million tied up in stock in September 1986).

Sojufa Fruit Juice Sales

	1980		1981		1982		1983		1984		1985		1986	
(in Fmg millions)	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
Apple	15.6	13	26.6	15	23.0	16	18.0	14	6.0	5	12.3	9	21.0	13
Grape	13.5	11	19.6	11	15.9	11	12.6	10	4.1	4	8.3	6	13.6	8
Pineapple	7.8	6	26.4	15	11.8	8	0.6	1	0.3	-	1.8	1	-	-
Grenadelle	3.5	3	10.5	6	18.1	13	6.2	5	-	-	3.2	3	0.3	-
Total Juice	40.4	33	82.1	47	68.8	48	37.4	29	10.4	9	25.6	19	34.9	22
Total SOJUFA Sales	123.1	100	173.8	100	143.8	100	131.3	100	115.7	100	135.5	100	161.9	100

Souce: SOJUFA management reports

- SOJUFA has the potential to again increase its domestic sales as it has the monopoly on Madagascan juice manufacture. To date it has not used this advantage and has only had a small fraction of the large non-alcoholic drinks market.

- STAR has a powerful position in the Madagascan market, but it produces only chemically based soda drinks. SOJUFA could make inroads into the large non-alcoholic drinks market with well positioned fruit juice.

Madagascan Fruit Juice and flavoured Sodas Market - 1983

	VOLUME ('000 litres)	Market Share %
STAR	12046	95
SOJUFA	103	1
MARKET	12680	100

SOURCE: STEG REPORT

- Considerable regional markets may exist (an estimated 2 million litres of juice and concentrate are consumed in Reunion alone). However, few statistics are available (see following page) and little is known of current supply arrangements other than that all concentrate is currently imported from Europe.

- SOJUFA's successful entry to this market will depend on the competitive advantage it can achieve versus European imports. Current production costs are not a guide to future costs due

to current dilapidated equipment and small scale and would require long term evaluation.

SOJUFA's entry method to this market, whether with concentrates sold to local conditioners and merchants, or as finished products will also require extensive evaluation.

Estimated Reunion Market Size

('000 litres)

Apple	Juice	449.	325.		724.
	Concentrate	333	420		292.
	Total	782.	745.5	1016.	
Grape	Juice	338	592.		718.
	Concentrate	210	-		26.
	Total	598	592		744
Orange	Juice	66	25		128.
	Concentrate	42	184.		124.
	Total	108	209.		252.
Total	Juice	903.	942.	1570.	
	Concentrate	589.	604.		442.
	Total	1487.	1546.	2012.	

Source: STEG Report

- However, SOJUFA's business position is not currently viable and should be closed in the short term.

- SOJUFA is currently losing an estimated Fmg 53 million on its juice business in 1986.

- It is not covering variable costs and should be closed so that resources can be redirected to the profitable VISY GASY business. (Again, before this recommendation is implemented, the results of SOJUFA's product profitability analysis should be verified).

Fruit Juice Profitability

(9 mths to Sept 1986 - Annualized).

		Total (Fmg million)		Unit Structure (Fmg per litre)
Sales		26.1		454
Less Fruit, primary materials	18.7		325	
Consumables	6.1		107	
Labour	4.1		72	
Consumption Tax	2.3	31.1	39	540
Margin		(5.0)		(86)
Indirect Labour	18.0		313	
TFSE	6.3		109	
Transport	3.6		63	
Depreciation	4.4		76	
Other	2.0	34.3	35	596
Net Margin before finance		(39.3)		(682)
Financial Costs		14.1		246
Net Result		(53.4)		(928)

Source: SOJUFA product profitability analysis

SOJUFA's fruit purchases have dropped to negligible levels due to lack of funds or credit forcing reductions in production.

	Total Fruit Purchases (tonnes)					
	1980	1981	1982	1983	1984	1985
Apple	118	156	63	84	160	37
Pineapple	152	155	21	3	4	10
Grape	93	93	135	48	34	40
Citrus	37	22	-	-	2	36
Grenadelle	20	15	93	28	0	6
TOTAL	783	441	312	163	200	129

o Sojufa's problems have been due to technical inadequacy and improvement may best be achieved through Greenfield Investment

- SOJUFA's ability to produce and market competitively has been inhibited by equipment and logistical problems.

o Specific production problems include:

- juice pressing plant has only 5 tonnes per day capacity and is a bottleneck to production:

- SOJUFA has to hire taxis to transport its fruit since it has no working truck:

- the Cristal fruit juice plant is dilapidated and equipment is old and inefficient.

Juice production is divided between the SOJUFA plant (4 km from Antsirabe) and the CRISTAL plan (central Antsirabe) adding costs. Equipment is dilapidated, particularly in the CRISTAL plant, and needs replacement. SOJUFA has had no truck for several years inhibiting its ability to collect fruit or to transfer its intermediate products between factories.

- Supplies of bottles and caps have provided upper limits to SOJUFA's production. 1986 supply limit estimated at 110,000 bottles per month (annual average capacity 500,000 litre) of

which 86% were utilised in VISY GASY. Caps are supplied by NY VIFOTSY, a subsidiary of STAR. As a result, STAR get priority when supply shortages occur. Alternative packing (plastic bottles, cans, tetra packs, etc) may overcome constraint, although cost implications must be investigated.

- Existing proposals for Sojufa's rehabilitation, however, are not well studied and are unrealistic. They should not be implemented.

Tremendous sales growth is expected supposedly from domestic and export sales and yet no market or competitive analyses (as previously described) have been undertaken.

Actual and Forecast Sojufa Fruit Juice Production

('000 litres)

ACTUAL PRODUCTION

1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
93	128	138	148	164	221	160	80	27	77	75

STEG FORECASTS

Revised Production levels

YR1	YR2	YR3	YR4	YR5
1410	2256	2820	2820	2820

Source: SOJUFA management: STEG Report 1985

- Investments proposed are too grandiose, even for the extremely optimistic sales levels.

- According to the STEG Report, capacity utilisation is highly variable, as shown by the following table:

Capacity Utilisation of Proposed SOJUFA Pressing Equipment

(%)

Month	J	F	M	A	M	J	J	A	S	O	N	D	Average
Based on:													
- 1 Shift	11	102	102	94	0	0	6	6	6	0	0	15	28
- 2 Shifts	5	51	51	47	0	0	3	3	3	0	0	8	14
- 3 Shifts	4	34	34	31	0	0	2	2	2	0	0	5	9

Source: STEG Report June 1985

- The excessive investments using important foreign exchange resources have very long paybacks, especially with possible devaluation of the Malgache franc - see following calculations.

Payback Calculations on Investment Proposed by STEG

Total (June 1985) Cost Estimated at French Francs 14.7 million

Expressed in Fmg:	(in Fmg billions)[2] June 1985	June 1987	with 25% devaluation
Proposed Investment			
- Equipment (foreign exchange)	1.04	1.84	2.29
- Buildings (local currency)	0.19	0.19	0.19
	1.23	2.03	2.48
Payback Period			
- Based on Profit before Interest + tax	9yrs	17yrs	22yrs
- Based on Profit after Interest + tax	29 yrs	43 yrs	52 yrs

1. Uses STEG's net profit before and after tax assumptions without adjustment.
2. Exchange rates assumed:

June 1985 - FF1 = Fmg 71

June 1987 - FF1 = Fmg 125

With a 25% devaluation - FF1 = Fmg 156

Source: Coopers & Lybrand analysis of STEG Report.

- Assumptions on the supply of fruit to support these production targets are somewhat optimistic (notably when project success is so dependent on reaching targets and history shows no evidence of ability to augment production and do not capitalise on the underlying potential of FE BETAMPONA, (the state apple farm near Antsirabe).

- FE BETAMPONA is expected to move from 2.3 kg per productive tree to 20 kg in 6 years and a 50% increase in production in local farmer production is required.

Actual and Forecast Apple production (tonnes)

	ACTUAL		STEG FORECAST	% INCREASE (1984 to YR6)
	1981	1984	YR 6	
FE BETAMPONA	15	43	1420	3202
Other Apple Farmers	5360	5312	8000	51
TOTAL	5375	5355	9420	76

- While the increase in FE BETAMPONA productivity may be possible, its marketing strategy grossly wastes the profit potential of this significant and currently underutilised apple farm.

- FE BETAMPONA is assumed to supply all its output to SOJUFA at Fmg 85 per kilo (despite the fact that it produces export quality apples that are worth Fmg 250-350 per kilo on local markets. In 1985 it received Fmg 185 per kilo on average.

- STEG assumes that local farmers will supply 30% of their increased production to SOJUFA at Fmg 100 per kilo (bottom of the market prices). In 1984, they only supplied 3% of their total production to SOJUFA, and given some evidence of pent up local demand (extensive stealing) it is probable that additional production would only be available to SOJUFA at higher prices.

- The Fruit Juice Business should be closed while further evaluation, based on analysis of regional and local market potential, is made

  - SOJUFA's fruit juice business would appear to have considerable improvement potential. However, as yet, there is no adequate feasibility study available.

  - A new feasibility study for SOJUFA should be undertaken quickly which examines SOJUFA's profit potential within reasonable and implementable 10 yr objectives. The objectives should be driven by a thorough evaluation of SOJUFA's market potential in regional and local markets. Only then can investment decisions be taken on a sound basis.

  - The timetable should be to complete the study by early 1988, so that if positive, investment can be made and new equipment installed in time for the peak harvest season of summer 1988/89.

  - SOJUFA'S juice operations should be closed while the feasibility study is being carried out as variable costs are not being covered. Funds now tied up in the juice business could be redirected to the VISY GASY business to increase output and redeploy labour.

- FE BETAMPONA deserves to be given short term priority for funding and action

  - FE BETAMPONA was not selected for detailed study in its own right in this project because of its relatively small size. However, it has become evident that it has extensive potential and without quick action may also cease to exist.

  - While the 2 studies undertaken on FE BETAMPONA have differed in marketing emphasis, both have concluded that it can become at least 6 times more productive and add about 20% to Madagascan total apple production.

Productivity Estimates for STEG and SAGE

Studies of FE BETAMPONA

Season	tonnes		kg/tree	
	SAGE	STEG	SAGE	STEG
1986/87	165	130	2.3	2.6
1987/88	448	200	6.2	3.5
1988/89	650	450	9.0	7.0
1989/90	786	710	10.9	10.0
1990/91	922	1050	12.8	15.0
1991/92	1058	1420	14.7	20.0

- However, currently the farm is making losses, has no funding for fertiliser and proper tree management. Without action the 60000 trees will quickly deteriorate. Access to markets is also limited due to the poor quality of the 49km of road to Antsirabe.

- Evaluation could probably be undertaken fairly rapidly as
  - small size reduces complexity;
  - SAGE study seems potentially realistic as base for planning.

- Investment and productivity improvement here will probably assist long term potential of SOJUFA to enter export markets.

- Action should include:
  - evaluation of SAGE study followed by appropriate investment;
  - seeking funding for road;
  - technical assistance for farm management and accounting systems.

4. Visy Gasy Business (Carbonated mineral water)

o Visy Gasy is Sojufa's Core Business and it is very profitable

- Visy Gasy has always been SOJUFA's dominant business but in recent years its importance has been increasing both as a result of steady increases in its sales and the decline of other SOJUFA businesses.

Visy Gasy Sales
(Fmg millions)

	1980	1981	1982	1983	1984	1985	1986
Visy Gasy Sales	69.6	63.3	55.2	82.4	95.5	97.1	125.9
Other Sales	53.6	110.5	88.6	48.9	20.2	38.4	36.0
Total Sales	123.1	173.8	143.8	131.3	115.7	135.5	161.9
Proportion of total sales	56	36	38	63	83	72	78

- The Visy Gasy business is currently very profitable for SOJUFA with a return on sales estimated at 22% after interest and tax, on a total sales volume of 422,000 litres.

Visy Gasy Profitability
(9mths to Sept 1986 - Annualised)

	Total (Fmg millions)		Unit Structure (Fmg/Litre)	
Sales		120.9		286
Less Primary Materials	-		-	
Consumption	14.8		35	
Direct Labour	11.1		26	
Consumption Tax	12.7	38.6	30	91

Margin		82.3		195
Indirect Labour	21.1		50	
TFSE	15.3		36	
Transport	5.7		14	
Depreciation	3.7		9	
Other	4.7	50.5	11	120
Net Margin before finance		31.8		75
Financial Costs		4.7		11
Net Result		27.1		64

Source: SOJUFA management

- Its return on capital employed is extremely high because
  - inherently the business has low working capital requirements (only bottles are supplied, water is free);
  - building and equipment is old and heavily depreciated.

Visy Gasy Business - Return On Capital Employed

(Fmg millions)

Net Profit After Tax	27.1
Capital Employed[1]	
- Equipment	0.4
- Truck[2]	3.6
- Suppliers	2.7
	6.7
Return on Capital Employed	404%

1. Building is fully depreciated
2. Truck is not in working order

Source: SOJUFA management

- Visy Gasy has considerable Market potential

  - Currently, SOJUFA cannot meet market demands due to technical constraints, but its position is inherently strong given that it has the monopoly of the Madagascan market for the supply of naturally carbonated mineral waters.

- Visy Gasy could increase its production tenfold if bottle and equipment constraints could be overcome

  - While it has a simple production process, equipment is very old, of low capacity and needs replacement.

- The building also needs replacement, the truck is not in working order and the access road (8 km to Antsirabe) needs improvement: it is only passable in dry weather.

- The supply of bottles and caps is a very real problem for VISY GASY.

  - VISY GASY used approximately 1.3 million bottles and caps in 1986.

  - VISY GASY has generally been packed in glass bottles and caps from NY VIFOTSY and is subject to the supply limitations described for fruit juice.

  - Experiments have been made with plastic packaging but to date there is a problem with chemical reactions and they have not been marketed.

- Visy Gasy improvement must be given priority

  - In the short-term, resources should be redirected as described above.

- Immediate attention should be given to a VISY GASY feasibility study.

o The STEG recommendations are not useful: their equipment was directed to mainly produce 0.65 litre bottles whereas VISY GASY's main business is 0.24 litre bottles, and the capacity did not reflect a clear understanding of market potential.

o Action should be directed to an analysis of market potential followed by an assessment of related investment requirements.

o This business is simple, its needs will be easy to identify and it is profitable: it should be given priority attention.

5. Other Drinks Businesses

o Sojufa should not reinvest in production of Soda Drinks

- SOJUFA is effectively out of the soda drinks business. Production has ceased because SOJUFA has not had access to foreign exchange to buy imported chemicals.

Sojufa Soda Sales

	1980	1981	1982	1983	1984
- Soda sales value (Fmg '000s)	11.1	25.4	13.4	9.1	3.7
- Proportion of Total Sales (%)	9	15	9	7	3

- Competition is too strong for SOJUFA ever to compete successfully : STAR is dominant producer in market with 95% share; SOJUFA's share is negligible.

1983 Soda Volumes

('000 litres)

		%
Total market of which:	5997	100
Star	5697	95
Sojufa	23	0.4

- SOJUFA's equipment is very old, and would need replacement. Its weak market position suggests this is not worthwhile.

B. IMPLICATIONS FOR DIVESTITURE ACTION

o Different types of divestiture action are implied for each of SOJUFA's businesses

- Each of the businesses has different levels of potential viability, operates in different competitive environments and requires different management skills and market focus, and each has a different timetable before improvement can be implemented.

- As a result different types of divestiture action are implied as both necessary and sufficient for each business.

o Visy Gasy may benefit from private local participation although this may not prove essential

- Local participation in ownership may bring needed capital and marketing skills and Visy Gasy will need significant new investment in foreign - made equipment. Profitability may benefit from direct control of marketing and distribution processes.

- Private sector owners should be sought for the vinegar plant on a going concern or sale of equipment basis. Otherwise the government must pay the debt owing to BNI and close the business permanently

  - The government has no skills to exploit the vinegar plant's alternative future markets. After feasibility studies have been performed, private sector buyers may be interested. Otherwise the debt will have to remain with the government.

- Financial restructuring and change of legal status will be necessary to implement divestiture action

  - Each business must have its assets, liabilities, and operating costs identified to ensure they can be ultimately separated.

  - At the time of ownership changes, SOJUFA should be broken up into separate entities. The profitable Visy Gasy business should perhaps become a "Societe Anonyme" or "Societe d'Exploitation". The 100% privately owned juice business should be a Societe Anonyme. The probably unviable vinegar plant should retain the shell of SOJUFA's current legal entitly, i.e a Societe D'Economie Mixte.

C. SUITABILITY FOR IMMEDIATE ACTION

- Short term action is essential and possible. Improvement can be immediately achieved via closure of the vinegar plant and juice business and elimination of stocks, and concentration of limited resources on the Visy Gasy business.

- The development of feasibility studies on each business is also urgent. The vinegar plant debt is increasing rapidly as interest payments are in arrears, and devaluation of the Madagascan franc will increase the burden.

The fruit juice business offers significant foreign exchange earnings potential, but without a well-founded feasibility study the project

will never be realised. The Visy Gasy business is urgently in need of equipment. Its profit potential demands rapid analysis.

o <u>Private investors have already shown interest.</u>

- SODETEG;
- A private Madagascan investor offered Fmg 75-100 million in September 1986 for participation in SOJUFA;
- PELLEMON International Inc;
- Le Conseil national du Patronnat Francais.

SOCIETE DE JUS DE FRUITS A ANTSIRABE

" SO JU FA "

I - CREATION

1°- Forme juridique

La SOJUFA a été créée par le décret n°66-457 du 15 novembre 1966 sous la forme juridique de société d'économie mixte. "La société de valorisation des fruits et légumes" a été le partenaire de l'Etat Malagasy dans la réalisation du capital social de la SOJUFA.

2°- Objet social

Le décret de 1966 fixe l'objet de la SOJUFA qui concerne :

- la transformation des fruits, notamment des pommes ;
- l'achat des fruits, de tous produits entrant dans la transformation des fruits ainsi que la vente des produits fabriqués à partir de fruits et éventuellement des fruits.

3°- Capital social

Il semble que le capital social, après diverses opérations d'augmentation et de réduction, est fixé actuellement à 100 095 800 FMG, dont l'Etat Malagasy est actionnaire majoritaire.

4°- Statuts de la SOJUFA

Les statuts ainsi que les modalités de fonctionnement de la SOJUFA ont été approuvés par le décret 66-457 du 15 novembre 1966.

.../...

II - ORGANISATION ET FONCTIONNEMENT

1°- Gestion de la Société SOJUFA

M. RAKOTONDRAJOA Noëlson, Administrateur Civil a été nommé Directeur Général de la Société d'Economie Mixte SOJUFA, suivant décret n°84-246 du 20 Juillet 1984.

La Société est administrée par un Conseil d'Administration composé de cinq (5) membres désignés par les départements ministériels, suivant les conditions ci-après :

- Ministère de la Production Agricole et de la Réforme Agraire (MPARA)... 2
- Ministère auprès de la Présidence de la République chargé des Finances et de l'Economie (MPFE)... 2
  dont 1 de la B.N.I
- Ministère du Commerce (M C)..... 1

Chaque ministère nomme par arrêté ses représentants au sein du Conseil d'Administration. Toutefois, la nomination du Président du Conseil d'Administration, M. RAKOTOARIMANANA Joseph Ignace, a fait l'objet d'un décret portant le n°82-311 du 19 Juillet 1982.

2°- Le contrôle de la Société d'Economie Mixte SOJUFA

a)- Le contrôle de tutelle

La SOJUFA est assujettie à la tutelle technique et conjointe du MPARA et du MC et à la tutelle financière du MPFE.

.../...

114

b)- Le contrôle administratif et financier

L'Assemblée générale ordinaire désigne un ou plusieurs Commissaires aux Comptes parmi une liste pré-établie par le Ministère chargé des Finances et celui chargé du Commerce. Ils ont pour mission de vérifier la régularité et la sincérité des comptes.

La désignation du Commissaire de Gouvernement qui a notamment tous les pouvoirs d'investigation sur pièce et sur place, revient au Président de la République. Toutefois, il semble que cette nomination n'a pas encore eu lieu jusqu'à présent.

ENTERPRISE	:	SOTHEMAD (Societe Theicole de Madagascar)
LOCATION	:	Sahambavy, Fianarantsoa
LEGAL STATUS	:	Entreprise Socialiste
CAPITAL	:	Fm 439 million
OWNERSHIP	:	100% state owned
ACTIVITIES	:	Production and marketing of tea
STAFF	:	186 in 1985

KEY FINANCIAL INDICATORS

YEAR ENDED (MARCH 31)

	(in Fmg millions)		
	1984	1985	1986
Sales/ventes	51	142	na
Profit from Operations/ Resultat d'exploitation (1)	(105)	(48)	na
Net Profit/Resultat net	(106)	(72)	na
Cash Flow from Operations/ Marge brut d'autofinancement	(64)	(26)	na
Total Assets/Actif total	na	1195	na
Total endebtedeness/Dettes totales	na	84	na
Net equity/Situation nett	na	1111	na
Profit from Operations/Sales % Resultat d'exploitation/ventes %	(206)	(34)	na
Profit from operations/Total assets Resultat d'exploitation/actif %	na	(4)	na
Debt/Equity % Dettes/situation nette %	na	(8)	na

(1) Apres amortissement avant Frais Financiers.

SOTHEMAD

RECOMMENDATION: PRIMARY CANDIDATE FOR REHABILITATION: NEED TO PERMIT IMMEDIATE MANAGEMENT AND MARKETING AUTONOMY

A. EVALUATION OF PERFORMANCE IMPROVEMENT POTENTIAL

Conclusion

o SOTHEMAD has considerable potential for immediate performance improvement through the implementation of a more effective system of international and domestic marketing

- SOTHEMAD's current agreement to use SOMACODIS as its international distributor is comprising its viability;

- SOTHEMAD should be given immediate authorisation to sell on consignment;

- On the domestic market, SOTHEMAD can also improve its margins by selling direct to TAF (its blender and retail packer) rather than through SOMACODIS;

o Options to blend and pack tea for retail distribution and the attraction of international tea firm investment should be explored, but are certainly only feasible in the long term.

- These value adding processes can provide higher margins
- But they may not be economic for a small volume producer

o With the implementation of a new marketing structures, SOTHEMAD can play a valuable role in supplying tea to the domestic market and premium tea to international markets

- The domestic market is small but, SOTHEMAD can play a valuable import substitution role
- At maximum production (and with current tea prices), SOTHEMAD would appear to be internationally competitive. However, due to poor financial records this requires further investigation.

- o MIARADIA, the unit for general regional training and agricultural support activities that is currently integrated with SOTHEMAD, should be separated or be given explicit government funding, but SOTHEMAD's tea research station should be reactivated

- MIARADIA activities are non-commercial and non-tea related;

- Currently, its costs are being included in the tea production cost;

- This depresses the apparent profitability of SOTHEMAD'S tea operations

- At the same time as MIARADIA continues to receive funding, SOTHEMAD's tea research station has been turned over to commercial production. This situation should be reversed.

- o SOTHEMAD's financial control function requires strengthening

- SOTHEMAD's accounts were only established in 1984/85 by RINDRA and there is still not a satisfactory accounting system.

- The inability of SOTHEMAD management to provide financial accounts in a timely manner has prevented detailed business analysis.

B. ANALYSIS

1. Market issues

Changing the marketing method, particularly in international markets, is essential for Sothemad's ability to become a viable enterprise

- International sales are very important to SOTHEMAD

SOTHEMAD Sales By Market (tonnes)

	1978	1979	1980	1981	1982	1983	1984	1985	1986
Domestic :	10	12	16	45	51	26	28	na	na
Export :	na	-	75	122	17	156	119	88	na
Total :	na	12	91	167	68	182	147	na	na
% Exported :	na	10	82	73	25	86	81	na	na

Source: SOTHEMAD management; RINDRA Study, Dec 1985

- SOTHEMAD has suffered volume losses and price reductions as a result of ineffective international tea commercialisation

- Consignment selling from 1979 to 1981 via Wilson Smithett provided SOTHEMAD with assured sales at world prices and no payment delays;

- Withdrawal of SOTHEMAD;s authorisation for consignment selling and a directive to use SOMACODIS has resulted in lower price realisation.

Impact of Somacodis distribution of Sothemad

Price Realisation - Jan 85

		FMG/KG	%
A.	AV world selling price for African Tea (1)	1559	
	less SOMACODIS price realisation	1545	
	LOSS DUE TO LOW PRICE REALISATION	105	7
B.	Margin payable to SOMACODIS (2)	206	
	Less margin payable to Wilson Smithett (3)	15	
	Less transport costs to Tamatave	18	
	LESS DUE TO MARGIN PAYABLE	173	12
C.	Total Loss		
		278	19

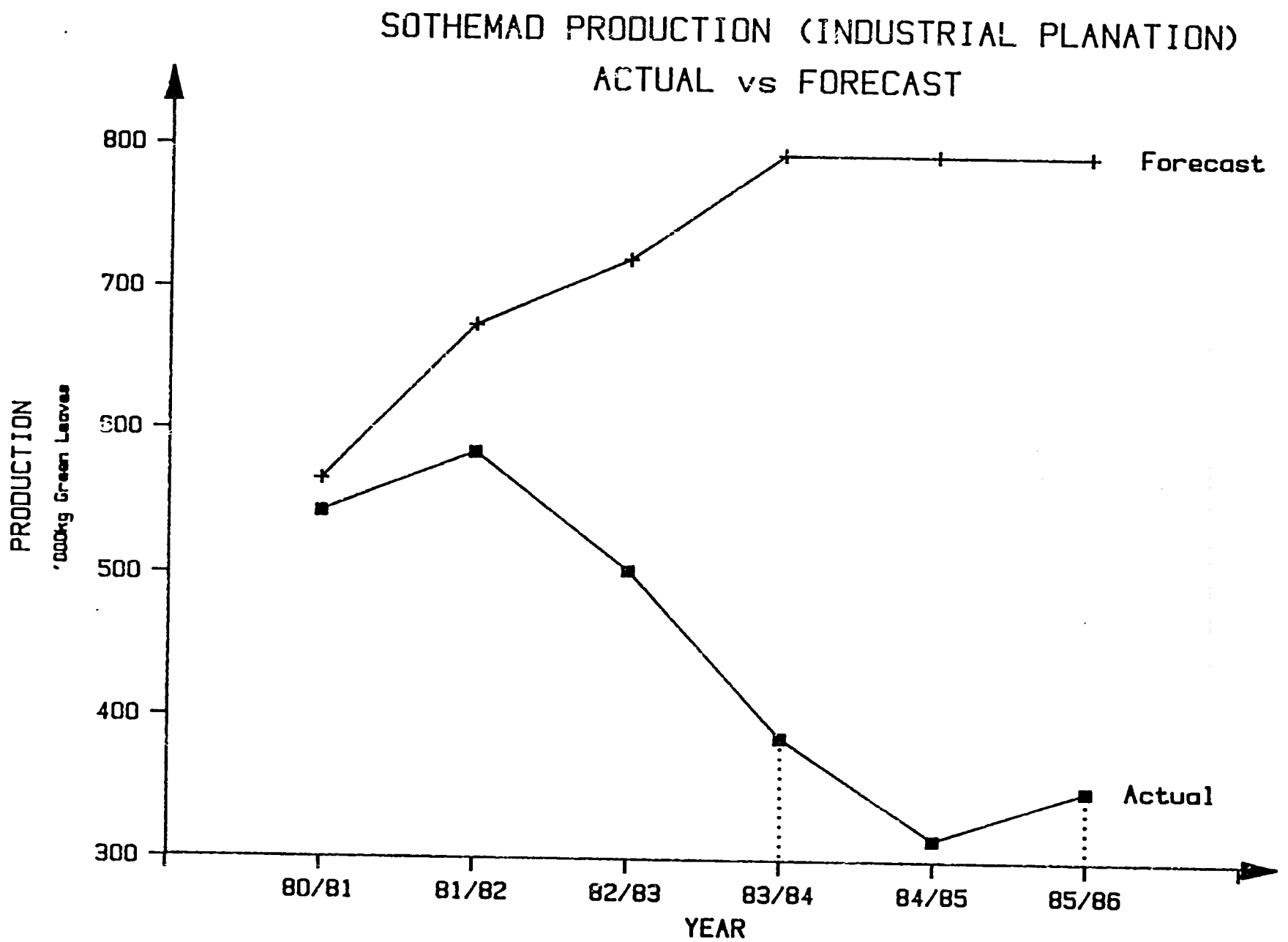
(1) Prices reduced by 25% to be equivalent to FOB in Tamatave. African tea prices previously exceeded by SOTHEMAD. Hence, impact may be understated.

(2) 60% of surplus achieved on production costs.

(3) 1% of selling price.

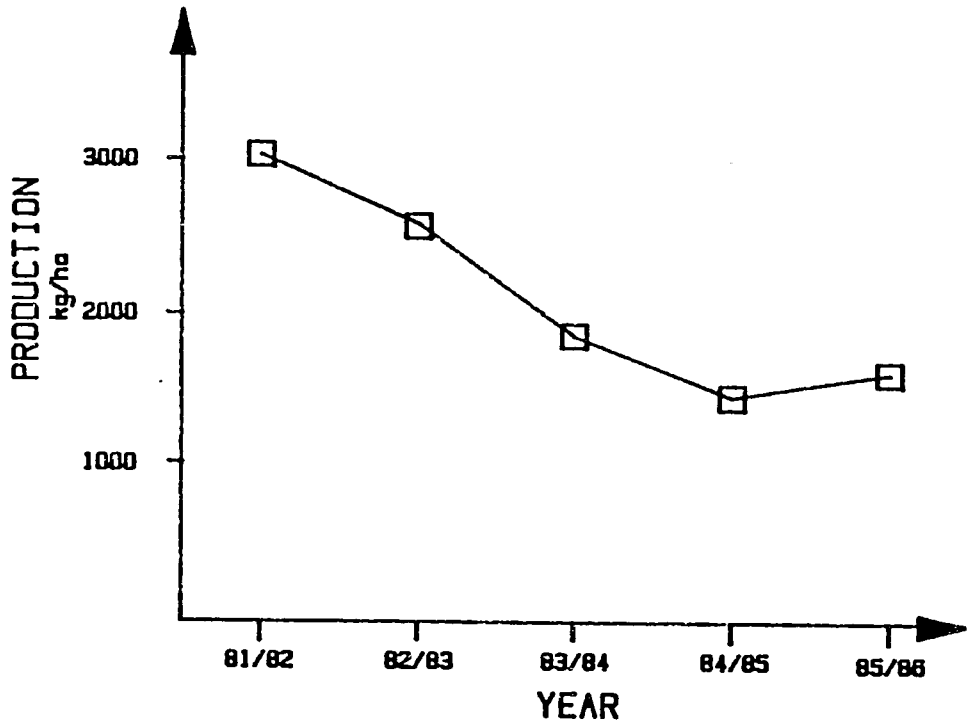
Source: RINDRA Study

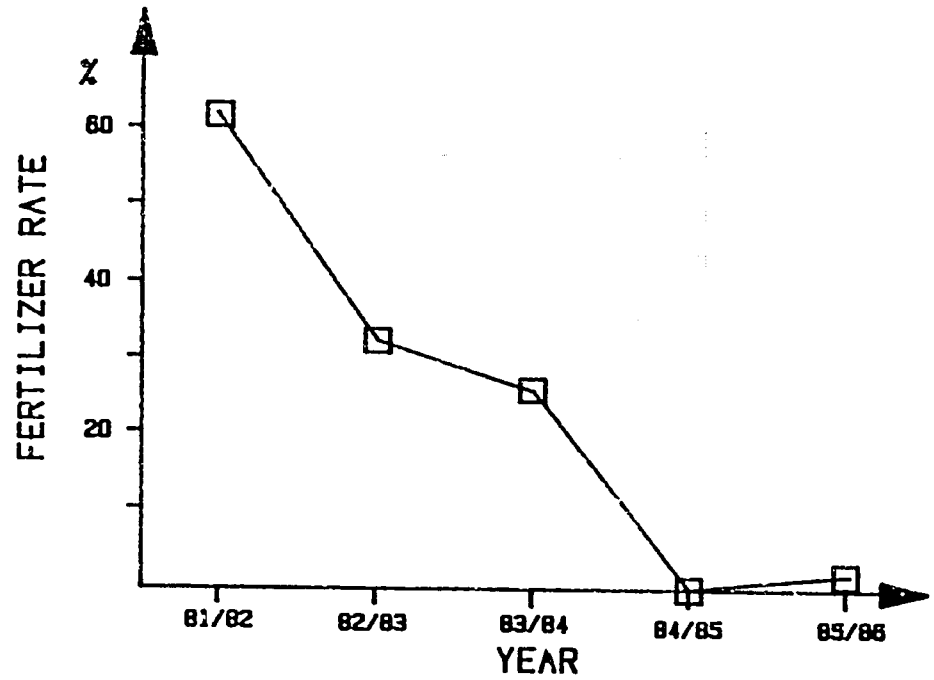
- SOTHEMAD's inability to meet production forecasts dates from the change in marketing practices in 1982. This is illustrated by the following graph. This reduction in production was directly attributable to SOTHEMAD'S inability to apply adequate fertilizer, due in turn to its lack of cash resources.


SOTHEMAD PRODUCTION (INDUSTRIAL PLANATION)
ACTUAL vs FORECAST
PRODUCTION
'000kg Green Leaves
800
700
600
500
400
300
Forecast
Actual
80/81
81/82
82/83
83/84
84/85
85/86
YEAR

- The following graphs also illustrate the relationship between production and fertilizer application.

RELATION OF PRODUCTION PER HECTARE TO FERTILIZER APPLICATION





- o SOTHEMAD should immediately be given authorisation to commence selling on consignment via Wilson Smithett

- o Consignment selling is quick, effective and cheap for small producers.

- There are 3 methods of consignment selling but each offers assured sales with price dependent on the timing of cash flow to the seller. The seller may select the timing.

SALE	WHEN	PRICE	CASH
London Auction Sales	- On arrival of tea in London	- Highest (if market strong)	- Latest
Off-shore Sales	- Tea in ship (en route to London)	- Discounted	- Early
Forward Sales	- Before departure of tea	- Most discount ed (based on sample sent to London	- Earliest

Source: Wilson Smithett

- London prices represent best available for auctioned bulk tea.

  . Auctions are the principal method of marketing on "non-tied" tea. i.e. tea not consumed in country of origin, or owned/produced by the major international tea firms.
  . 15% of world tea sold at auction is sold in London;
  . London prices dictate world tea price.

- Wilson Smithett demands 1% commission on FOB selling price which works out as less than the margin demanded by SOMACODIS (see previous example).

- o SOMACODIS distribution agreement for international and domestic market should be rescinded as soon as possible

- There appear to be no legal impediments to SOTHEMAD being able to rescind the distribution protocol signed with SOMACOIS in July 1984.

- The use of SOMACODIS as a domestic distribution intermediary also adds no value to SOTHEMAD and should be discontinued.

- SOMACODIS takes a 3 - 4 % margin for merely acting as an order taker.

DOMESTIC TEA MARGIN STRUCTURE (%)

Party	Function	Sachet Margin	25g. Box Margin
SOTHEMAD (OTS)	grower/processor/ bulk packer	36.3	24.5
SOMACODIS	Order taker	4.5	3.0
TAF	Blender/Retail packer	12.9	26.7
WHOLESALER	Distribution	10.9	10.8
RETAILER	Distribution	25.9	25.3
LOCAL TAXES	-	9.7	9.7
		100.0	100.0

Source: RINDRA Study, Dec. 1985

The benefits of packing tea and foreign participation in ownership should be explored in the long run

- The value adding process of blending tea grades and packing for retail consumption provides high margins

International Tea Margin Structure (%)

Party	Sachets		Packets	
	USA	Canada	UK	India
Producers	14.6	26.6	47.0	62.4
Freight/insurance	3.0	4.4	12.4	-
Brokers	0.9	1.7	3.3	0.4
Blenders/retail packers	60.5	49.1	26.3	20.2
Wholesalers	16.8			
Retailers	4.3	18.1	10.3	3.6
Local Taxes	-	-	-	13.8
	100.0	100.0	100.0	100.0

Source: RINDRA Study, Dec. 1985

- However, participation in this process requires volume throughput

  - To justify investment in packing equipment;

  - To handle sufficient grades to lower cost and maintain a constant taste and quality;

- Usually the ownership participation of the large international team marketing firms is dominant

  - For example, India, which exports 89% of its tea in packets, has 74% of the shares in its plantations owned by Brooke Bond.

- Investment in packing facilities and foreign ownership participation is a long rather than short term option for SOTHEMAD to explore

  - Given current low production volumes, it is doubtful that equipment investment could be justified.

  - Participation by the international tea firms may have benefits.

    - eg. expand tea cultivation, support retail packing/blending operations.

  - But low volumes (Madagascar produces less than 0.001% of world tea) and current Madagascan investment climate (Investment code not formally operational) make it unlikely that investment could be attracted.

SOTHEMAD needs to concentrate on producing import subsituting tea for the domestic market and high quality tea for international markets

While the domestic market is small and unlikely ever to be important, SOTHEMAD can play a valuable import substitution role.

- The domestic market has shrunk in recent years, but even with recovery, it is unlikely to exceed 100 tonnes per annum.

Madagascar Tea Sales (tonnes)

Year	:	79	72	74	76	78	80	82	84
Sales	:	73	66	36	18	10	16	51	28

Source : BDE

- However, there are positive benefits from import substitution. Conservatively, total imports of tea of Fmg 100 million could be avoided by local production with a foreign exchange cost of some Fmg 15 million, a net saving of Fmg 85 million.

- o SOTHEMAD tea has the reputation of a quality tea in international markets

- Its sales in London via Wilson Smithett were previously realising top grade prices with premiums up to 21%.

SOTHEMAD teas prices compared to London average

		pence per Kg	Premium over 30 June 1980 (%)
SOTHEMAD SALES (30/6/80)	: Pekoe Dust (PD)	118	19
	: Pekoe Finings 1 (PF1)	120	21
	: Pekoe Finings (PF)	118	19
	: Broken Pekoe 1 (BP1)	103	4
LONDON AVERAGE	: 30 June 1980	99	
	: 6 mths to 30 June 1980	101	

Source European Development Fund

- o SOTHEMAD has potential for higher levels of production of top grade tea

- Production used to be much stronger in higher quality grades, and SOTHEMAD management forecast ability to increase top grade production.

  - 128.8 tonnes of top grade tea (Pekoe Finings and Broken Pekoe) were produced in 1980/81 compared to 89.2 tonnes in 1986/87 and a forecast 332 tonnes in 1992/93 (with appropriate financing).

SOTHEMAD Tea Production by Grade

GRADE	1980/81 Tonnes		1986/87 Tonnes		1992/93 (FORECAST) Tonnes	
PFI	38.1	25	25.0	23	87.0	22
PF	68.4	45	48.6	45	186.0	47
BP	22.3	15	15.6	15	59.0	15
BMF	6.6	4	8.6	8	27.7	7
PD	8.9	6	4.8	4	15.5	4
DUST	7.0	5	4.3	4	19.0	5
	151.3	100	106.9	100	394.2	100

Source: SOTHEMAD management

At maximum output, SOTHEMAD should be internationally competitive in high quality tea exports.

- As a very small world producer, (300 tonnes per annum compared to world production in 1985/86 of 2.2 million tonnes), SOTHEMAD is unlikely to be competitive in average grade teas. It should concentrate on high grade teas, commanding the premiums described above.

- With maximum output of 39 tonnes per annum (forecast for 1992/93), SOTHEMAD's production costs should permit profitable operations, provided current prices are sustained but assuming no further devaluation of the Fmg.

Note: The lack of complete or reliable current financial information has forced cost competitiveness analyses to be based on forecasts. A priority of the next phase must be to establish more accurate financial records and verify SOTHEMAD's future potential international competitiveness.

2. Technical Issues

Plantation Productivity

With greater usage of fertiliser,, SOTHEMAD can increase its production volume, probably to 5 tonnes per hectare

Apart from slightly insufficient rainfall, SAHAMABAVY only lacks certain soil nutrients for having conditions suitable for tea production.

SUITABILITY OF SAHAMBAVY TEA GROWING CONDITIONS

	NORMAL REQUIREMENTS	SAHAMBAVY CONDITIONS
Rainfall	1500mm to 400 mm	1297 mm
Temperature	15 C to 25 C	11.5 C to 23 C
Sunlight	4 - 5 hour/day	3 - 8 hour/day
Ph of soil	5 - 5.5	4 - 5
Nutrients	N - P - K	Insufficient

Source: RINDRA Study Dec 1985

- The lack of fertiliser use has directly contributed to the fall in yields

- Relationship between fertiliser use and fall in productivity was shown previously;
- Resultant average yields :

  Industrial plantation (1985/86) - 1.6 tonnes per hectare
  Farmer plantantation (1984/85) - 1.3 tonnes per hectare

The productivity of certain parcels suggests that the target yield of 5 T/ha can ultimately be obtained for industrial and peasant plantations.

Local smallholder production is more economic than industrial production and, if possible, should be expanded.

- In the 1987/88 forecasts, smallholder tea is 22% less expensive to get to the factory than industrial plantation tea (Fmg 786/kg compared to Fmg 1009/kg).

- Current SOTHEMAD forecasts place emphasis on expanding industrial production. A review should be undertaken to assess the potential to change this emphasis toward the expansion of smallholder production.

The research station must be reactivated

- Research into improving productivity is essential for the success of the plantation.

- The 11 hectares of the research station have recently been released for industrial production, due to lack of cash.

The general training and agricultural support activities of MIARADIA should be separated from SOTHEMAD or be given explicit government funding.

MIARADIA assets and ongoing costs add to tea production costs. However, MIARADIA activities are primarily unrelated to tea cultivation

- It was established with a multi-dimensional support role.
- Its role includes providing advice and demonstrations for the production of all local crops, in addition to which, it operates a rice mill.

Its activities should be separated and given separate funding.

Separation is recommended to ensure SOTHEMAD retains clear tea-related commercial objectives;

- Alternatively, MIARADIA should be given separate funding while under SOTHEMAD's control.

B. PRODUCTION/OPERATIONAL ISSUES

SOTHEMAD needs investment in spare parts and new equipment in order to handle output of 400 tonnes per annum

Improved productivity in the plantation and farmer sectors will result in a maximum annual factory capacity of 400 tonnes being required by 1993.

Forecasts of annual Green Leaves yields and Finished Tea Production (Tonnes)

	ACTUALS					FORECASTS			
	84/85	85/86	86/87	87/88	88/89	89/90	90/91	91/92	92/93
Farmer	145	na	na	414	414	414	480	493	563
Industrial	357	na	na	655	878	1118	1342	1340	1342
Total	502	476	417	1069	1292	1532	1822	1833	1905
Total finished Tea production	110	99	107	211	256	305	360	370	377

Source: SOTHEMAD production reports and Comptes d'Exploitation Previsionnels de 87 a 93

To handle this production capacity, new investment and spare parts investment are required.

- Particular requirements are for:

* more drying facilities (6 new units);
* additional crushing tearing and curling (CTC) equipment, and perhaps a second production line;
* an additional drying line;
* further investment in sorting machinery.

SOTHEMAD Management have provided a list of new investments although further analysis is necessary to ensure the items are both appropriate and justified.

SOTHEMAD LIST OF INVESTMENT REQUIREMENTS[1]

Equipment	Cost
- 1 Tea-bag machine	25.8
- Commissioning of 6 fletrissage bags	1.0
- Vehicles	
. 2 x Mercedes 508 trucks	60.0
. 1 tractor	25.0
- Laboratory Materials	6.0
- Meteorological station	0.8
- Furniture	5.0
Total	123.6

(1) No investment for expansion/improvement of roulage or drying processes listed. If necessary, these could be significant new investment needs.

SOURCE: SOTHEMAD Comptes D'Exploitation Previsionnels de 1987 a 1993.

4. Financial issues

Financial control must be Improved

SOTHEMAD's accounts were only established in 1985/86 by RINDRA and there is still no satisfactory accounting system.

- SOTHEMAD could not supply recent balance sheets as they have not been given copies of 1984/85 RINDRA balance sheets;

- Although there are 11 people in the financial department, they do not appear to have a significant depth of skills or the facilities to provide adequate financial control. (This contrasts with technical skills where SOTHEMAD staff appears to have considerable expertise and capability);

- The inability of SOTHEMAD management to provide financial accounts in a timely manner has limited the rigour of financial analysis possible at this stage;

- The lack of these skills was reported in the 1985 RINDRA study, and without the development of full financial control, SOTHEMAD cannot become an independently operating profitable enterprise.

B. IMPLICATIONS FOR DIVESTITURE ACTION

Performance improvements can be achieved within current ownership structure

- SOTHEMAD needs foreign and local currency loans to fund investment in new equipment and working capital;

  . Foreign exchange loans for equipment;
  . Local currency loans for working capital;

- But it should be self-funding and, in fact, be a net foreign exchange earner;

- SOTHEMAD calculates that its current (1987/88) exchange earnings could be Fmg 109 million and that this could rise to Fmg 290 million by 1992/93.

To achieve performance improvement, SOTHEMAD management requires more autonomy, performance contracts and strengthening of financial control function.

SOTHEMAD management needs more autonomy.

- The Government ministries can add little technical assistance as Madagascan tea cultivation knowledge is located in management of SOTHEMAD;

- As a consignment crop with constantly fluctuating prices, management must have the flexibility to ship and sell products at times they determine will bring best value. If an intermediary has to provide export authorisation, critical timing may be lost resulting in reduced profitability.

SOTHEMAD should be a primary candidate for the introduction of performance contracts, the detailed operation of which should be evaluated in Phase II.

- Autonomy of action by SOTHEMAD management should be matched by their taking responsibility for achieving agreed performance objectives;

- Objectives should be negotiated as an ongoing process, with a designated controller in MPARA and Ministry of Finance, and agreed through a strong and respected Comite de Gestion;

- Rewards and sanctions should be applied to motivate achievement of objectives: bonus system and profit sharing alternatives should be investigated;

- The details of how performance should be negotiated, managed and rewarded should be given priority in Phase II. SOTHEMAD could then

be used as a model for the introduction of performance contracts to other enterprises.

SOTHEMAD should be a priority candidate for strengthening of the financial control function via new staff, training and equipment

- Currently SOTHEMAD has a very weak financial function;

- For SOTHEMAD management to take responsibility for performance they should have capacity to internally monitor and control their financial performance;

C. SUITABILITY FOR IMMEDIATE ACTION

SOTHEMAD is an urgent and immediate candidate for divestiture action

Action to improve performance is urgently required.

- SOTHEMAD's potential net export earnings are being lost due to inappropriate marketing;

- The problems created by the SOMACODIS agreement had been recognised by others and similar recommendations have been made. Unless action is taken performance will continue to decline;

- SOTHEMAD no longer has cash to purchase fertilizer or pay wages, which in turn results in ongoing production and sales declines. The cycle can only be broken via a cash injection and change to commercialisation;

- The development of SOTHEMAD operations for the Sahambavy region is being compromised by its lack to cash.

The employment impact is declining

- Workers have not been paid for 3 months and picker employment has not reached previous expectations.

DIRECT EMPLOYMENT IMPACT OF SOTHEMAD

Actual VS Forecast Picker Employment

	Year 80/81	81/82	82/83	83/84	84/85	85/86
Actual Worker Days ('000)	26.4	25.3	22.0	15.9	10.3	19.9
Forecast Worker Days ('000)	27.8	29.9	31.4	33.1	33.1	50.9

Source: SOTHEMAD management

Short term action can be taken to create immediate improvement. Other changes can be implemented in the medium term.

- Immediate turnaround requires:

  . Authorisation for SOTHEMAD to sell on consignment;
  . Rescind agreement to use SOMACODIS as international and domestic distributor;
  . Cash injection to provide working capital for purchase of fertilizer and payment of wages.

Estimated working capital needs (1)

(Estimates in Fmg millions for the month of April, the peak month for cash needs).

1.	Cash inflow		
	- on sales		1.4
2.	Cash outflow		
	- purchases	(3.3)	
	- wages and salaries	(7.0)	
	- TFSE*	(65.8)	
	- transport	(1.7)	
	- other	(0.6)	
			(78.4)
3.	Investment		(10.0)
4.	Accounts receivable		(36.9)
5.	Net cash needs		(123.9)

* Travaux, Fournitures, Services Exterieurs.

1. Calculated from Balance Sheet 31.3.85, based on year 1 sales of Fmg 259.9 millions. No later detailed financial information is available to make a revised estimate. However, SOTHEMAD's 1987/88 sales are forecast at Fmg 258.1 million and thus this estimate may not be unreasonable.

Source: RINDRA Study, December 1986.

The actual short term capital requirements for SOTHEMAD must be calculated on receipt of current and accurate financial data. This was not available during this phase of work.

Medium term action to improve performance involves :

- Investment in equipment (type and amount requires further analysis);
- Strengthening of financial control function;
- Separation of MIARADIA operations;
- Implementation of performance contracts;

SOTHEMAD's legal status does not constrain any of the short or medium term actions. However, the reality of its operation as an Entreprise Socialiste, must be implemented

- SOTHEMAD has been incorporated as an Entreprise Socialiste for over 12 months, although its Comite de Gestion is still currently being established.
- As an Entreprise Socialiste, SOTHEMAD has the legal capacity to export independently.

D. ANALYSIS OF COMPETITIVE AND COMPARATIVE ADVANTAGE

1. Analysis for tea at 1992/93 production levels and 1987 prices

Per Tonne

Present exchange rate

1.1 Competitive Advantage (Plantation)

a) Derivation

	Plantation		Farmers	
	Fmg '000	US$ - Fmg 830	Fmg '000	US$ 1=Fmg 830
CIF London Cost	1040.591	1253.72	1126.88	1357.69
CIF London Price (World bank)	2123.25	2558.13	2123.25	2558.13
COMPETITIVE ADVANTAGE	1082.66	1304.41	996.37	1200.44

Therefore, at 1992/93 production levels, SOTHEMAD has both a strong competitive advantage in the production and export of tea at current exchange rates, and in the purchase, processing and export of farmers' tea.

1.2 Comparative Advantage

It is evident from the above calculation that a calculation of the comparative advantage at a devalued exchange rate and with shadow priced labour would indicate very strong comparative advantage for tea production and export.

b) Calculations

CIF LONDON/TONNE FINISHED TEA DEDUCED FROM ACCOUNTS

US$ = fmg 830

	Plantation			Farmers		
Production	Local works	Forex costs	Total	Local costs (purchase)	Forex costs	Total
Pickers	144.30	-	144.30	312.58	-	312.58
Packing	12.11	-	12.11	13.32	-	13.32
Transport to factory	1.08	4.30	5.38	1.08	4.30	5.38
Spare parts	-	3.05	3.05	-	3.84	3.84
Personnel	164.98	-	164.98	136.31	-	136.31
Fertilizer	56.40	56.40	112.80	60.21	60.21	120.42
Lubricants	-	14.05	14.05	-	21.27	21.27
Other	29.03	-	29.03	27.33	-	27.33
Depreciation	87.85	-	87.85	19.39	-	19.39
Total fmg '000	495.75	77.80	573.55	570.22	89.62	659.84
TOTAL US$	597.29	93.73	691.02	687.01	107.98	794.99
Factory						
Personnel	64.99	-	64.99	64.99	-	64.99
Lubricants	-	1.39	1.39	-	1.39	1.39
Other	35.03	-	35.03	35.03	-	35.03
Depreciation	54.69	-	54.69	54.69	-	54.69
Finance charge	—	0.88	0.88	—	0.88	0.88
Total fmg '000	154.71	2.27	156.98	154.71	2.27	156.98
Total US$	186.40	2.73	189.13	186.40	2.73	189.13
Export						
Packing	56.80	56.80	113.60	56.80	56.80	113.60
Transport to port and containerisation	18.93	75.73	94.66	18.93	75.73	94.66
Loading	2.20	-	2.20	2.20	-	2.20
Shipping	-	83.00	83.00	-	83.00	83.00
Insurance	16.60	-	16.60	16.60	-	16.60
Total fmg '000	94.53	215.53	310.06	94.53	215.53	310.06
Total US$	113.89	259.67	373.56	113.89	259.67	373.56
GRAND TOTAL						
fmg '000	744.99	295.60	1040.59	819.46	307.42	1126.88
US$	897.58	356.14	1253.72	987.30	370.39	1357.69

SOCIETE THEICOLE DE MADAGASCAR

SOTHEMAD

ENTREPRISE SOCIALISTE

1° - CREATION

La SOTHEMAD a été créée par l'arrêté n° 670/87 du 13 février 1987. Elle revêt la forme d'une entreprise socialiste soumise à la Charte des Entreprises socialistes.

2° - OBJET

Elle a pour objet :

- la recherche, la conception, la mise en oeuvre, le développement, le contrôle et le suivi des méthodes techniques, moyens matériels et humains propres à améliorer la qualité et à accroître la quantité de thé produit dans la région de Sahambavy ;
- la commercialisation de thé produit par entreprise.

3° - CAPITAL SOCIAL

Le capital social est fixé à 439 000 000 FMG.

L'Etat détient l'intégralité de ce capital.

4° - ORGANISATION ET FONCTIONNEMENT

Le Comité de Gestion est composé de 7 membres ainsi répartis :

- le Président ;
- 4 représentants de l'Etat ;
- 1 représentant des travailleurs ;

.../...

144

- le Directeur Général ;

5° - CONTROLE

La SOTHEMAD est soumise au contrôle prévu par la Charte des Entreprises socialistes.

Le texte désignant le Directeur Général de l'Entreprise n'est pas encore paru.

1. BASIC DATA SHEET

ENTERPRISE NAME : Fankarian'Ala Ambatondrazaka-Moramanga "Fanalmanga"

LOCATION : Region around Town of Moramanga

LEGAL STATUS : Societe d'Economie Mixte

SHAREHOLDING : State 100% (of which 1% indirect)

ACTIVITIES : Forest plantation

STAFF : 1641

KEY FINANCIAL INDICATORS :

Note: Famalamanga has not yet commenced commercial operations; fixed assets reflect cumulative expenditure since inception together with accruals for notional interest on external loans

(Fmg millions)

June 30.....	1984	1985	1986
Sales	-	-	-
Operating profit/(loss)	-	-	-
Net profit/(loss)	-	-	-
Cash flow from operations	-	-	-
Total assets	15,001	18,072	22,336 (1)
Total debts	14,501	17,572	21,836
Net equity	500	500	500
Operating profit/sales	-	-	-
Operating profit/total assets	-	-	-
Total debts/Net equity	29:1	35:1	43:1

(1) including Fmg 7,117 million cumulative notional interest on Fmg 13,000 million of external funding

Decision : Postpone Action

Conclusions

- Divestiture does not appear to be a realistic possibility at the time.

  - The earliest plantations need another 5 years to mature.

  - In the meantime, an excess of maintenance costs over revenues from thinnings will result in another Fmg 3.6 billion of net cash outflows.

  - Given the foregoing and intrinsic uncertainties, an investor in standing timber is unlikely to be interested in these plantations before operations start to show a positive cash flow in about 1992.

- However, in 1992 it is estimated that FANALAMANGA's standing timber may have a gross value as high as Fmg 80 billion.

  - With an estimated yield of 200 m^3 of standing timber per hectare and a conservatively low price of Fmg 10,000 per cubic meter, FANALAMANGA 40,000 hectares of good quality trees may be valued at (200 x 10,000 x 40,000) Fmg 80 billion.

- A more realistic estimate of the price for which the plantation might be sold in 1992 is Fmg 25-30 billion.

  - It must be assumed that a buyer of the plantation will need to incur ongoing maintenance costs of at least 75% of the costs projected by FANALAMANGA.

  - The price assumes an annual return to the buyer/investor of 5% excluding inflation. (The calculation basis is shown in table 2).

- The GOM, as sole shareholders in FAMALAMANGA, may achieve a capital profit if the plantation is sold in 1992.

  - By 1992 the historic cost of the plantations in FANALAMANGA's books, including the cost of all infrastructure (which would not be included in a sale) but excluding notional interest, will be approximately Fmg 21 billion (Fmg 17.6 billion to date plus Fmg 3.6 billion in 1988 through 1992).

  - The resultant "book" may be of the order of Fmg 4-9 billion.

  - However, when the long-term nature of FANALAMANGA's investment costs are taken into consideration - the plantations were started in 1969 - the actual return on capital invested, assuming a sale in 1992 would be a negative 4 - 9% (Table 6).

- Based on the underlying projections and assumptions, a sale price of Fmg 16 to 26 billion will be needed in 1992 (low and high revenue assumptions - See Table 2) to provide FANALAMANGA with an acceptable, 5% overall return excluding inflation.

- An outright sale of all of FANALAMANGA standing timber would have the advantage of shifting the responsibility for marketing to the investor.

- And the GOM would avoid the possibility of getting directly involved - through FANALAMANGA or some other state-owned enterprise - in additional investments saw and pulp mills; i.e. in what should be commercial, for profit operations.

Marketing Issues

- The intended end-use for FANALAMANGA timber is not clear.

  - Originally intended for pulping, an idea which has since been abandoned because of changes in the market, presently envisaged end-uses emphasize sawn timber but also include telegraph poles and experimental prefabricated housing as well as chipboards (using locally - available gypsum as bonding agent) and pulp. In addition, charcoaling is currently being developed as a by-product from thinnings.

- An outright sale would shift the responsibility of finding and developing end-uses onto the buyer.

  - A buyer will already know what he is going to do with the timber. He is likely to be an operator or trader with prior experience of markets such as Madagascar and their potential, and may also have established connections in export markets.

- In the meantime, FANALAMANGA envisages diversifying into industrial operations.

  - A tender is out for a pilot sawmill for an envisaged investment of about Fmg 800 million and, as is noted above, other uses which would necessitate industrial activities are under investigation.

Technical Issues

- Another 5 years is needed for the earliest plantations to reach maturity for use as saw-wood.

  - The earliest plantations were planted in 1970 and are expected to need another 5 years of growth to reach optimum girth suitable for processing by sawmills.

- Whereas low-technology, artisanal charcoaling appears to us to be an acceptable activity to give value to an otherwise wasted by-product for FANALAMANGA, we doubt FANALAMANGA ability to make a success of sawmilling and other industrial operations which are planned.

Financial Issues

- The overall return on investment to the GOM has not been good.

  - historic costs and projected future costs and revenues show an Internal Rate of Return (IRR) of -2.0 to +0.1%, in constant 1987 Fmg i.e. excluding inflation (Table 7).

- The plantations will absorb another Fmg 3.6 billion through 1992.

  - Negotiations are in process for a World Bank loan to cover ongoing negative cash flows through 1992.

- It would appear that, in the event of a sale, the maturity dates of World Bank loans would not be affected.

  - In effect, GOM as loan creditor could withdraw sale proceeds from FANALAMANGA and use these at its discretion, its future liability to repay the World Bank loans on maturity remaining unaltered.

- We doubt whether operating costs can be reduced by as much as envisaged in FANALAMANGA projections.

- Table 5 shows operating costs, excluding notional interest, to have been running at Fmg 2.4 to 2.7 billion annually. We understand that the cessation of plantations and drastic cuts in other activities will allow a substantial reduction in the workforce. Also, recent years expenditures on capital equipment have now ceased.

  However, the reduction which is envisaged is about 50% of recent levels of expenditures and appears to us unlikely to be achieved in the results for the 12 months commencing July 1, 1987.

Legal/Organisational Issues

- An outright sale of all of FANALAMANGA standing timber raises no particular legal or other organisational issues.

  - However, an extraordinary resolution of the shareholders may be required in view of the scale of the operation and the fact that FANALAMANGA would be effectively terminating the major part of its activities.

- The rights of workers and other employees could be protected by an undertaking by the buyer at the time of sale.

  - The buyer, who must be expected to commence logging operations immediately after acquisition, should have need for at least the number of workers currently employed by FANALAMANGA on maintenance.

Suitability for immediate action

It appears unlikely that a buyer for FANALAMANGA plantations can be found before they begin to reach maturity in 5 years time. (This does not necessarily preclude searching for an investor prior to 1992, but we think it unlikely that FANALAMANGA would represent an interesting opportunity before that time).

TABLE 1

ONGOING FORESTRY OPERATING BY FANALAMANGA
PROJECTED SUMMARY OF CASH FLOWS AND NET PRESENT VALUES
(Based on enterprise and World Bank projections with adjustments by C&L)

IN CONSTANT 1987 FMG MILLIONS

		REVENUES		EXPENDITURES	PROJECTED NET FLOW	
PROJECT YEAR	FISCAL YEAR	LOW	HIGH		LOW	HIGH
1	1988	131	183	(1,193)	(1,062)	(1,010)
2	1989	212	297	(1,012)	(800)	(715)
3	1990	353	494	(1,090)	(737)	(596)
4	1991	433	606	(945)	(512)	(339)
5	1992	579	811	(1,056)	(477)	(245)
6	1993	812	1,837	(947)	(135)	190
7	1994	1,346	1,884	(1,075)	271	809
8	1995	1,667	2,334	(891)	776	1,443
9	1996	1,737	2,432	(1,022)	715	1,410
10	1997	1,862	2,607	(1,016)	846	1,591
11	1998	1,937	2,712	(1,076)	861	1,636
12	1999	2,004	2,806	(883)	1,121	1,923
13	2000	2,008	2,811	(881)	1,127	1,930
14	2001	2,117	2,964	(965)	1,152	1,999
15	2002	2,174	3,044	(987)	1,187	2,057
16	2003	2,363	3,308	(815)	1,548	2,493
17	2004	2,432	3,405	(868)	1,564	2,537
18	2005	2,498	3,497	(858)	1,640	2,639
19	2006	2,583	3,616	(1,043)	1,540	2,573
20	2007	2,672	3,741	(782)	1,890	2,959
21	2008	2,756	3,858	(838)	1,918	3,020
22	2009	2,819	3,947	(834)	1,985	3,113
23	2010	2,891	4,047	(1,091)	1,800	2,956
24	2011	2,988	4,183	(850)	2,138	3,333
25	2012	3,098	4,337	(892)	2,206	3,445
TOTALS		46,472	65,061	(23,910)	22,562	41,151

Source: Coopers & Lybrand

TABLE 2

CALCULATION OF THE PROJECTED CAPITAL VALUE OF FORESTRY OPERATIONS
(Based on enterprise and World Bank projections of revenues and expenditures with adjustments by Coopers & Lybrand)

IN CONSTANT 1987 FMG MILLIONS

(1) KEY ASSUMPTIONS: 1. An investor will not incur more than 75% of costs projected by Fanalamanga on an on-going basis.
2. An investor will be satisfied with a real return, i.e. excluding inflation, of 5% p.a.

		PROJECTED CASH FLOWS					PROJECTED CAPITAL VALUE(2)	
PROJECT YEAR	FISCAL YEAR	REVENUES LOW	REVENUES HIGH	EXPENDITURES (3)	PROJECTED NET FLOW LOW	PROJECTED NET FLOW HIGH	LOW	HIGH
1	1988	131	183	(895)	(764)	(711)	11,417	20,121
2	1989	212	297	(759)	(547)	(462)	12,751	21,838
3	1990	353	494	(818)	(465)	(323)	13,936	23,392
4	1991	433	606	(709)	(276)	(103)	15,096	24,885
5	1992	579	811	(792)	(213)	19	16,128	26,232
6	1993	812	1,137	(710)	102	427	17,147	27,525
7	1994	1,346	1,884	(806)	540	1,078	17,903	28,475
8	1995	1,667	2,334	(668)	999	1,666	18,258	28,820
9	1996	1,737	2,432	(767)	971	1,665	18,172	28,596
10	1997	1,862	2,607	(762)	1,100	1,845	18,110	28,360
11	1998	1,937	2,712	(807)	1,130	1,905		
12	1999	2,004	2,806	(662)	1,342	2,143		
13	2000	2,008	2,811	(661)	1,347	2,150		
14	2001	2,117	2,964	(724)	1,393	2,240		
15	2002	2,174	3,044	(740)	1,434	2,303		
16	2003	2,363	3,308	(611)	1,752	2,697		
17	2004	2,432	3,405	(651)	1,781	2,754		
18	2005	2,498	3,497	(644)	1,855	2,854		
19	2006	2,583	3,616	(782)	1,801	2,834		
20	2007	2,672	3,741	(587)	2,086	3,154		
21	2008	2,756	3,858	(629)	2,128	3,230		
22	2009	2,819	3,947	(626)	2,194	3,321		
23	2010	2,891	4,047	(818)	2,073	3,229		
24	2011	2,988	4,183	(638)	2,351	3,546		
25	2012	3,098	4,337	(669)	2,429	3,668		
TOTALS		46,472	65,071	(17,933)	25,540	47,128		

(1) Key assumptions are by Coopers & Lybrand
(2) based on Net Present Value (NPV) with 5% p.a. discount
(3) Expenditures are projected at 75% of expenditures on an on-going basis.

Source: Coopers & Lybrand

Table 3

Assumptions and detail underlying FANALAMANGA World Bank Projected Cash Flow

1. COSTS : Costs which have been running at an annual rate of between Fmg 1.8 and 2.7 billion in the 4 years through June 1987 (see table 5) are budgeted to be reduced to Fmg 1.2 billion in the 12 months commencing July 1, 1987. We understand that these cost projections reflect the cessation of new plantings, that no additional capital equipment is foreseen for the next several years, as well as a general compression of personnel. However, we have some doubt as to whether such a drastic reduction in costs will be achieved.

2. PRICES : The following "low" 1987 prices have been used for standing timber, with "high" prices estimated to 40% more:

	"Low" 1987 prices
	Fmg
Smallwood for charcoaling	400
Smaller standing trunks for hand-sawing	4,000
Regular standing trunks for sawmills	10,000

3. Coopers & Lybrand's adjustments to FANALAMANGA/World Bank projections:

1. Projected expenditures on replacement vehicles reduced by 75% after 1994

2. Minor adjustments to revenues in the early years.

4. Detail of Projected Revenues in Specified years.

12 months ended June 30....		1988	1993	1998
		('000m^3)		
Volumes				
smallwood for charcoaling		91.5	349	263
Smaller standing trunks for hand-sawing		11	37	40
Standing trunks for sawmills		5	52	167
Revenues	Fmg/m^3	(Fmg millions)		
smallwood	400	37	140	105
smaller trunks	4000	44	150	162
regular trunks	10,000	50	522	1670
Total revenues - "low"		131	812	1937
Total revenues - "high"(2)		183	1137	2712

(2) "low" + 40%

Table 4

Famalamanga

Summary of Investment Costs through June 30, 1987

Current Fmg Millions

	Planting and Maintenance	Infrastructure	Administration and Miscellaneous	Total excl	Notional interest	Total per Balance Sheet
through June 30, 1983	5944	1201	1577	8722	3250	11972
year to June 30, 1984	1453	147	400	2000	1029	3029
" " " , 1985	956	91	752	1799	1272	3071
" " " , 1986	787	775	1136	2698	1566	4264
" " " , 1987 (1)	800	382	1200	2381	1931	4312
cumulative total through June 30, 1987	9,940	2,596	5,065	17,600	9,048	26,648

(1) Estimated breakdown based on forecast Balance Sheet total

TABLE 5

ANNUAL EXPENDITURES THROUGH JUNE 30, 1987

YEAR	INFLATION INDEX	EXPENDITURES AS RECORDED (1)	EXPENDITURES EXPRESSED IN 1987 FMG
1970	91.1	314.5	2,159.4
1971	96.1	331.7	2,159.0
1972	101.5	350.4	2,159.4
1973	107.7	371.8	2,159.3
1974	131.3	453.6	2,160.9
1975	142.2	490.9	2,159.3
1976	149.3	515.4	2,159.3
1977	153.9	531.3	2,159.4
1978	159.8	551.6	2,159.1
1979	175.6	606.2	2,159.3
1980	205.5	709.4	2,159.3
1981	255.3	881.8	2,160.5
1982	321.3	1,109.6	2,160.0
1984	479.3	2,000.0	2,610.1
1985	531.4	1,799.0	2,117.6
1986	618.6	2,698.0	2,728.1
1987	625.5	2,381.0	2,381.0
		17,598.0	40,071.0

Table 6

INTERNAL RATES OF RETURN

(Before financing and excluding inflation)

BASIS	Net Revenues assumed	
	"low"	"high"
A. ONGOING PROJECT AS PRESENTLY ENVISAGED BY FAMALAMANGA/WB		
1. PROJECTED RETURN TAKING INTO CONSIDERATION ALL EXPENDITURES TO DATE (IRR from 1970 base)	-2%	+10%
2. PROJECTED RETURN TAKING INTO CONSIDERATION ONLY FUTURE EXPENDITURES (IRR from 1988 base)	15.5%	24.4%
B. ASSUMING SALE IN 1992		
Assumed sale price (see table 2)	16,128	26,232
1. PROJECTED RETURN TAKING INTO CONSIDERATION ALL EXPENDITURE TO DATE (IRR from 1970 base)	-8.65	-4.1%
2. PROJECTED RETURN TAKING INTO CONSIDERATION ONLY FUTURE EXPENDITURES (IRR from 1988 base)	70.2%	102.3%

FAMBOLEN-KAZON'ANALAEE MORAMANGA

"FANALAMANGA"

I - CREATION

1° - Forme juridique

La Société d'Economie Mixte dénommée FAMBOLEN-KAZON'ANALAEE MORAMANGA a été créée par le décret n° 75-006 du 17 Janvier 1975. L'arrêté n° 1111/82 du 9 Mars 1982 a modifié sa dénomination sociale, laquelle est désormais : "FANJARIAN'ALA AMBATONDRAZAKA MORAMANGA".

2° - Objet social

La FANALAMANGA avait initialement pour objet, aux termes du Décret n° 75-006 du 17 Janvier 1975 :

1/ Dans une première phase de cinq ans 1975-1980

- la réalisation de 35 000 hectares de plantations de pin dans la zone de Mangoro ;
- la mise en place des infrastructures correspondantes ;
- l'entretien de reboisements effectués et leur protection ;
- les recherches d'accompagnement, la formation des cadres et ouvriers spécialisés.

.../...

2/ Dans une seconde phase de cinq ans 1980-1985

- la realisation de 30 000 hectares de plantations dans la même zone que dessus ;
- l'installation d'une industrie d'exploitation forestière ;
- la construction d'une usine de pâte à papier de 200 000 tonnes de production annuelle.

3/ A partir de 1986

- l'exploitation annuelle d'une superficie de peuplement de pins nécessaire et suffisant pour ravitailler l'usine ;
- la plantation chaque année de pin ;
- la transformation des produits et leur commercialisation ;
- l'entretien des reboisements effectués et leur protection.

Toutefois, l'Arrêté interministériel n° 1111/82 du 9 Mars 1982 a modifié son objet social. La FANALAMANGA "FANJARIAN'ALA AMBATONDRAZAKA MORAMANGA a désormais pour objet la réalisation des travaux dans le secteur bois et ses dérivés.

En particulier, elle est chargée :

- de réaliser la superficie de reboisement nécessaire au complexe sylvo-industriel ;
- de mettre en place les infrastructures correspondantes ;
- d'entretenir et de protéger les reboisements effectués ;
- d'entreprendre des recherches d'accompagnement, des essais et des études correspondant à son objet ;
- de gérer le complexe sylvo-industriel.

.../...

160

3° - Capital social

Aux termes de l'arrêté interministériel n° 1111/82 du 9 Mars 1982, le capital social est fixé à 500 000 000 de FMG divisé en 50 000 actions de 10 000 FMG chacune dont :

- 49 500 actions de catégorie A attribuées à l'Etat ;
- 500 actions de catégorie B inscrites par la Banque Nationale malagasy.

4° - Statuts de la FANALAMANGA

Ses statuts ont été fixés par l'arrêté n° 1731 du 16 Mai 1975. Des modifications de certaines dispositions des statuts ont été approuvées par l'Arrêté n° 4773/81 du 17 Novembre 1981 ainsi que par l'Arrêté interministériel n° 1111/82 du 9 Mars 1982.

II - ORGANISATION ET FONCTIONNEMENT

1° - Gestion de la FANALAMANGA

M. RABETALIANA Andrianjohary René, ingénieur en chef des eaux et forêts a été nommé Directeur général de la Société d'Economie Mixte dénommée FANALAMANGA suivant Décret n° 75/063 du 10 Mars 1975.

Les dix (10) Administrateurs représentant l'Etat ont été nommés par le rectificatif n° 4017/85 à l'arrêté interministériel n° 1456/85 du 28 Mars 1985, modifiant l'arrêté n° 4919/84 du 27 Novembre 1984 portant nomination des Administrateurs qui représentent l'Etat au Conseil d'Administration de la SEM FANALAMANGA, du 21 Septembre 1985.

.../...

2° - Le contrôle de la FANALAMANGA

a/ Le contrôle de tutelle

La FANALAMANGA est soumise à la tutelle du MPAEF et du MPFE.

b/ Le contrôle administratif et financier

L'Assemblée Générale Ordinaire désigne un sur plusieurs Commissaires aux Comptes . Il ont pour mission de vérifier la régularité et la sincérité des comptes.

La désignation du Commissaire au gouvernement qui a notamment tous les pouvoirs d'investigation sur pièce et sur place, revient au Président de la République.

162

ENTERPRISE NAME	: FAMOKARANA MAHABIBO MALAGASY (FAMAMA)
LOCATION	: Mahajanga (siege social), Ambilobe
LEGAL STATUS	: Societe d'Economie Mixte (SEM)
SHAREHOLDING	: State (40 %) Other parties not yet determined (40 %)
ACTIVITIES	: Maintenance and harvesting of 7185 ha of cashew tree plantations. Presently, 100 % of harvested raw nuts are exported to India. A project financed by the African Development Bank (59,16 %), the Government of Madagascar (26,81 %) and FAMAMA (14,03 %) is currently under way to : . rehabilitate FAMAMA's cashew tree plantations . construct a cashew nut processing plant capable of producing almonds and cashew nut shell liquid for export to Europe, North America, the Soviet Union and Australia. The project is more than 2 years behind schedule with progress to date consisting of the rehabilitation of 1500 ha of the cashew plantations. No plant equipment has been delivered.
STAFF	: 137 (Temporary personnel in man-months : 916)

KEY FINANCIAL INDICATORS

	1984	1985	1986
	in million of FMG		
Sales/ventes	106	127	94
Profit from Operations/ Resultat d'exploitation (1)	(37)	(76)	(171)
Net profit/Resultat net	(61)	(72)	(182)
Cash Flow from operations/ Marge brut d'autofinancement	(36)	(47)	(149)
Total Assets/Actif total	861	842	923
Total endebtedness/Dettes totales	123	25	6
Net equity/Situation nette	738	816	918
Profit from operations/sales % Resultat d'exploitation/ventes %	(35)	(60)	(182)
Profit from operations/Total assets Resultat d'exploitation/actif %	(4)	(9)	(19)
Debt/equity % Dettes/Situation nette %	17:1	03:1	0,006:1

(1) Apres amortissement avant Frais Financiers.

B. EVALUATION OF PERFORMANCE IMPROVEMENT POTENTIAL

RECOMMENDATIONS : POSTPONE ACTION

CONCLUSIONS

FAMAMA has some potential to improve its performance but must take several preliminary steps before it can be considered an appropriate candidate for divestiture action. The factors that indicate that there is potential for performance improvement are :

- The existence of a very strong international market for processed cashew nuts;
- The availability of considerable supplies of raw cashew nuts within Madagascar.
- The existence of an apparent comparative advantage.

The key constraints that FAMAMA faces and must deal with before being considered an appropriate divestiture candidate are :

- Poor selection and planning of the installation of the cashew processing plant, which will lead to underutilization of plant capacity;
- The probable continuation of its poor operating performance in the years leading up to the factory opening, due to the relative non-productivity of its plantations and high personnel costs;
- Continued delays in the constitution of its capital which could impede its ability to operate;
- The presence of significant contingent liabilities;

ANALYSIS

1. MARKET ISSUES

- The market for cashew nuts is extremely strong from Madagascar's perspective .

. World supply levels have dropped far below the peak levels reached in 1974-1975, as indicated in the table below. This can be attributed largely to the political and economic problems in Mozambique and Tanzania, which resulted in substantial decreases in production in those two major sources of supply.

WORLD PRODUCTION OF RAW CASHEW NUTS
('000 of tons)

YEAR	INDIA	TANZANIA	KENYA	MOZAMBIQUE	BRAZIL	OTHER	WORLD TOTAL
1974/1975	90	140	30	185	60	5	510
1979/1980	115	50	18	70	65	12	330
1983/1984	90	45	12	20	60	12	239
1984/1985	125	40	10	30	115	12	332
1985/1986	135	30	10	40	120	12	347

Source : Coopers & Lybrand derived from Gill and Duffus "Edible Nut Market Reports", Dec. 1983, Feb. 1986, April 1987.

. The imported value of cashew kernels, the major cashew product that is traded, increased over 50 % in the period 1984-1986, from $ 289.7 MM to $ 439.4 MM. The following table reflects import levels and prices for cashew kernels only. Additional trade is conducted in CNSL, Cashew Nut Shell Liquid.

WORLD IMPORT VOLUMES AND VALUES

YEAR	USA	CANADA	JAPAN	AUSTRALIA	EUROPE	OTHERS	WORLD TOTAL	AVG PRICE	VALUE
	('000 tons)							$/tons	million of $
1984	37.8	3.4	2.4	3.5	7.6	1.1	55.8	5192	289.7
1985	48.0	3.2	2.3	2.7	8.9	5.8	70.9	5324	377.5
1986	43.4	3.1	3.4	2.8	9.7	1.0	63.4	6930	439.4

Source : Coopers & Lybrand, derived from Gill and Duffus "Edible Nut Market Reports"

- FAMAMA's current and projected production levels of raw and processed cashew nuts can easily be absorbed into the world market.

. FAMAMA's 1986 exports, consisting solely of raw nuts, totaled only 229 tons, a small fraction of world production, and were absorbed by a single Indian cashew-processing company.
. FAMAMA's production of cashew kernels for export is projected to peak at 886 tons in seven years, only 1.4 % of the 1986 world import level.
. FAMAMA's production of raw cashew nuts for export is expected to peak at 2398 tons in nine years, easily absorbeable by a small group of the large Indian and Chinese cashew processing companies.

2. TECHNICAL ISSUES

- The planned processing factory will be severely underutilized in the initial years of the project.

. Company projections of production levels, presented in the following table, indicate that the plant will operate only at 25 % of capacity in its first year of operation and will not reach full capacity until its fifth year of operation.

YEAR	TOTAL PRODUCTION (tons) a)	QUANTITY PROCESSED	FACTORY CAPACITY (tons)	% UTILIZAT.
1986 (actual)	344	-		
1987	500	-		
1988	644	-		
1989 b)	972	962	3850	25 %
1990	1462	1469	-	38 %
1991	2062	2062	-	54 %
1992	2729	2729	-	71 %
1993	3763	3763	-	98 %
1994	4611	3850	-	100 %
1995	5530	3850	-	100 %
1996	6248	3850	-	100 %
1997	6248	3850	-	100 %

Source : FAMAMA.

. The company production and utilization projections, although indicating underutilization of plant capacity, appears also to be overly optimistic given that : a) 1986 production was only 344 tons and must triple in 3 years to reach the target

---

a) Cabinet Ramaholimihaso estimates 4/10/87.
b) Year of factory start-up.

for the factory opening (FAMAMA's own plantations produced only 74.8 tons in 1986 with the remaining production coming from purchases from the peuplement naturel); b) the plantation rehabilitation program has proceeded at a much slower pace than originally planned; c) the supply of cashews available outside of FAMAMA's property holdings amounts to only approximately 1200 tons annually, 300-400 tons of which is known to be consumed by competitors (COROI and individual competitors); and d) fires, set by neighboring farmers to increase the fertility of the soil, will continue to pose a problem and delay production increases (fires are the primary reason that 15 000 of the 23 000 ha that FAMAMA owns are considered unrehabilitatable and unproductive).

- The desired fertilizer for the cultivation of cashew trees is not available locally.

  . FAMAMA has used relatively insignificant amounts of fertilizer in the past but now recognizes that it must use it in substantial quantities, in order to get the yields desired. As the required fertilizer (NPK 20-10-10+5) will all need to be imported, there is the risk that the supply of a key raw material input will be interrupted.

3. FINANCIAL ISSUES

- FAMAMA's existing operation (the export of raw cashew nuts), has been historically unprofitable. This is somewhat misleading, due to the lag period between harvesting and sale of cashew nuts.

  . Operating losses have been at least 35 % of sales in each of the past three years and reached a high of 182 % of sales (Fmg 171 million) in 1986. However, as the harvest season occurs in July-December, and sales are made all at one time to one customer in March and April, costs of production are actually related to sales that are achieved in the following year. Thus, with inflation and an upward trend in production levels, FAMAMA's inappropriate operational year of January - December presents a somewhat distorted picture of operating profitability

- FAMAMA's dependence on the peuplement naturel for its raw cashew nut supply reduces its profitability and will probably continue to do so in the near future.

  . As indicated in the chart below, FAMAMA has depended on the peuplement naturels for approximately 82 % of its production over the past three years. This heavily impacts profitability as FAMAMA pays Fmg 200/kg approximately, for cashew nuts collected outside its plantations and only Fmg 50/kg for cashew nuts collected within its plantations. (Seasonal workers in the plantations are paid on a piece-work basis)

PRODUCTION LEVELS
(in tons)

	1984	(%)	1985	(%)	1986	(%)
Peuplement naturel	274	(92)	183	(77)	269	(78)
Plantations	25	(8)	55	(23)	75	(22)
	299	(100)	238	(100)	344	(100)

- FAMAMA's personnel costs are excessively high.

  . In 1986, personnel costs amounted to Fmg 94.8 million, a 30 % increase over 1985, and actually exceeded sales levels for the year. This cost translates to Fmg 1264 per kilo of cashew nuts produced from the plantations. This appears disproportionately high if one assumes that a major portion of personel costs consist of the plantation's seasonal laborers and that they are paid only Fmg 50/kilo of cashew nuts collected.

- FAMAMA requires extremely large State subsidies.

  . FAMAMA has received Fmg 1.1 billion in State capital contributions since 1974, Fmg 632 million of which were received in the period 1984-1986. The company has almost no debt.

- FAMAMA cashew processing plant will probably operate at substantially below break-even levels in the initial years of operation, if it proceeds as planned.

  . As indicated in the following table, FAMAMA needs to process 2170 tons of cashew nuts in its first year of operation in order to break-even. This processing level is more than twice their optimistic projected level of operation in the first year.

BREAK-EVEN POINT ESTIMATE FOR CASHEW PROCESSING PLANT

(All financial figures in Fmg millions)

	Projected Income Statement-1986 (a)	Related units (b)	Unit benefit (cost)/ton
Sales	1020.9	962	1.06
Variable costs			
. Raw materials (cashew nuts)	97.2		
. Fertilizer, other plant treatment costs	86.1		
. Personnel (50 % of total personnel costs)	112.4		
. Transportation	27.3		
. Maintenance and repairs (75% of total maintenance & repair costs)	73.2		
Total variable costs	395.2	962	(.41)
Contribution Margin/ton processed			
Fixed costs			
. Personnel	1124		
. TA	76.0		
. Taxes	10.0		
. Research	57.0		
. Maintenance & repairs	24.4		
. Management	10.0		
. Interest on loan	205.4		
. Depreciation	915.0		
Total fixed costs	1410.2		
Projected Profit (loss) Before State Subsidy	(784.5)		

Break-even Capacity Calculation :

$$65 \times Q = 1410.2$$
$$Q = 2170 \text{ tons.}$$

Break-even processing level = 2170 tons
Break-even utilization factor : 56 %.

a) Cabinet Ramaholimihaso document dated 4/10/87 with adjustments by Coopers & Lybrand for changes in US/Fmg exchange rate and division of fixed and variable costs.
b) Tons of raw cashew nuts.

Source : Coopers & Lybrand.

- FAMAMA appears to be undercapitalized.

  . With only Fmg 2.5 million of the 580 million in capital paid up to date, FAMAMA is undercapitalized. Currently the State is in the process of having FAMAMA's plantations evaluated, with the intention of contributing its part of the capital in kind. This will necessitate the location of the capital investors from the sources

4. ORGANISATIONAL ISSUES

- There is a risk of further delays in the formal adoption of FAMAMA's organisation structure, which could paralyze the operation of the company.

  . By law, the Conseil d'Administration cannot meet to formally approve the organigram and legal status (SEM) until 25% of the capital is paid up. As the State, which owns 60 % of the capital, has not paid up any of its shares to date and only Fmg 2.5 million has been raised from other sources, no meeting of the Conseil d'Administration can take place. Additionally, the factory cannot legally open until the capital is paid up.

- FAMAMA's present accounting staff is inadequate for the complexity of the operation it is undertaking.

  . FAMAMA's accounting department consists of only 4 people presently 1 economist, 1 bookkeeper and 2 secretaries.
  . FAMAMA's administrative and financial director estimates that they will need a staff of 13 accountants and bookkeepers by the time the factory opens, in order to effectively manage the substantial inventory and equipment that will be acquired

5. OTHER ISSUES

- FAMAMA has potentially significant contingent liabilities

  . Fmg 580 in customs taxes, import taxes, and TUT are due on the first shipment of factory equipment, which has arrived and has been sitting in the port at Mahajanga for the month of May 1987. FAMAMA claims that there was an agreement to exonerate them from these charges and is currently negotiating with the Ministry of Finance on the subject. It appears, however, that they will be required to pay at least, the custom tax part of charges and that a similar charge of Fmg 400 million will be due next year, when the second shipment of equipment arrives.

- The African Development Bank's recommendation that FAMAMA be the sole exporter of cashew products in Madagascar is untenable :

  . The ADB's recommendation that FAMAMA be assured a supply of raw cashew nuts by granting them monopoly rights on the export of cashew products, has not been agreed to by FAMAMA's competitors

and thus, is not a practical solution. Additionally, if FAMAMA's competitors are profitable at marketing raw cashew nuts abroad, the monopoly would only serve to close profitable operation at the expense of non-profitable operations.

- FAMAMA's reported prix de revient does not correspond with the information in its financial statements.

  . FAMAMA reports a prix de revient delivered to the warehouse of Fmg 287.05/kilo, which differs sharply from the prix de revient of Fmg 789.50/kilo that we calculate from the financial statements, even after adjusting for the cost of transport to the port (see following section for calculation of prix de revient). At their reported prix de revient, FAMAMA would be a profitable operation, but at the prix de revient derived from the financial statements, it is inherently an unprofitable operation.

6. COMPARATIVE AND COMPETITIVE ADVANTAGE

Given the extremely strong nature of the processed cashew nut market and the positive impact on foreign exchange earnings, value added contribution, and employment that a strong cashew processing industry could have in Madagascar, an analysis of FAMAMA's comparative and competitive advantage was conducted. As detailed below, FAMAMA currently does not appear to have a competitive advantage in the production and export of raw nuts. The exchange rate would have to decline to Fmg 1190 = US$1, the corresponding rate for kernels is Fmg 960 = US$1 before this competitive advantage could be achieved. However, FAMAMA has a comparative advantage in the production of both raw nuts and kernels. Details of the calculations used are given below. It should be noted, however, that this analysis was performed with a derived prix de revient and not the prix de revient reported by the company, which was thought to be inaccurate.

6.1 ANALYSIS FOR RAW NUTS AT CURRENT PRODUCTION LEVELS

6.1.1 Competitive Advantage

a) Derivation

	Per Tonne		Per Tonne	
	Present Exchange Rate		Minimum Exchange Rate for Competitive Advantage	
	Fmg/'000	US$1 - Fmg830	Fmg/'000	US$1 - Fmg 1190
Prix de Revient	789.50	951.20	812.30	682.67
Transport to Majunga	12.00	14.46	16.16	13.58
Storage on quayside	1.62	1.95	1.62	1.37
Loading on board	2.82	3.40	2.82	2.38
FOB MAJUNGA COST	805.94	971.01	828.33	700.00
FOB MAJUNGA PRICE PAID BY CUSTOMER	581.00	700.00	828.33	700.00
COMPETITIVE ADVANTAGE	(224.94)	(270.99)	0.00	0.00

Therefore, at current production levels and using prix de revient information derived from the accounts, FAMAMA has no competitive advantage in the production and export of raw nuts until the exchange rate declines to US$1 - Fmg 1190.

b) Calculations

FOB MAJUNGA/TONNE DEDUCED FROM ACCOUNTS

Prix de Revient	US$1 = Fmg 830 Local Costs	Forex Costs	Total	US$1 = Fmg 1190 Local Costs	Forex Costs	Total
Purchases	208.60	-	208.60	208.60	-	208.60
Staff	275.50	-	275.50	275.50	-	275.50
Taxes	6.50	-	6.50	6.50	-	6.50
Materials	116.20	-	116.20	116.20	-	116.20
Transport	13.20	52.60	65.80	13.20	75.00	88.20
Management	13.30	-	13.30	13.30	-	13.30
Finance	9.50	-	9.50	9.50	-	9.50
Depreciation	94.10	-	94.10	94.10	-	94.10
Total/ Fmg'000	736.90	52.60	789.50	736.90	75.00	811.90
Total/ US$	887.83	63.37	951.20	619.31	63.37	682.68
Transport to Majunga						
Total/ Fmg '000	2.40	9.60	12.00	2.40	13.77	16.17
Total/ US$	2.89	11.57	14.46	2.02	11.57	13.58
Others						
Total/ Fmg'000	4.44	-	4.44	4.44	-	4.44
Total/ US$	5.35	-	5.35	3.75	-	3.75
GRAND TOTAL						
Fmg '000	743.74	62.20	805.94	743.74	88.77	832.51
US $	896.07	74.94	971.01	625.06	74.94	700.00

The minimum exchange rate for competitive advantage is calculated below.

US$

	Current Level	Required Level
Foreign Exchange	74.94	74.94
Local	896.07	625.06
TOTAL	971.01	700.00

Therefore $\frac{896.07}{625.06}$ x current exchange rate (830)

= minimum exchange rate for competitive advantage

= Fmg 1190 to US$1

6.1.2 Comparative Advantage

a) Derivation

Assumptions

(i) Unskilled labour is shadow priced at 0.4 (World Bank estimate)
(ii) Semi-skilled " " " " " 0.7 (Coopers & Lybrand)
(iii) Skilled " " " " " 1.0 (Coopers & Lybrand)
(iv) Shadow exchange rate - Fmg 1200 to US$ 1 (Coopers & Lybrand)

Per Tonne

	Fmg/'000	US$
Prix de revient	522.59	435.49
Transport to Majunga	16.28	13.57
Storage on quayside	1.13	0.95
Loading on board	1.97	1.65
FOB MAJUNGA COST	618.02	515.02
FOB MAJUNGA PRICE PAID BY CUSTOMER	840.00	700.00
COMPARATIVE ADVANTAGE	221.98	184.98

Therefore, at current production levels, Madagascar has a comparative advantage in the production and export of raw nuts.

b) Calculations

The economic FOB Majunga cost per tonne deduced from the accounts and using the assumptions in 6.1.2.a) is as follows.

Per Tonne/Fmg '000

Prix de Revient	Local Costs	Forex Costs	Total
Purchases	83.44	-	83.44
Staff	192.85	-	192.85
Materials	116.20	-	116.20
Transport	13.20	76.05	89.05
Management	13.30	-	13.30
Finance	9.50	-	9.50
Depreciation	94.10	-	94.10
TOTAL/Fmg'000	552.59	76.05	598.64
TOTAL/US$	435.49	63.38	498.87
TRANSPORT TO MAJUNGA			
TOTAL/Fmg'000	2.40	13.88	16.28
TOTAL/US$	2.00	11.57	13.57
STORAGE			
TOTAL/Fmg'000	1.13	-	1.13
TOTAL/US$	0.95	-	0.95
LOADING ON BOARD			
TOTAL/Fmg'000	1.97	-	1.97
TOTAL/US$	1.65	-	1.65
GRAND TOTAL			
Fmg '000	528.09	89.93	618.02
US$	440.08	74.94	515.02

6.2 ANALYSIS FOR KERNELS AT 1991 PRODUCTION LEVELS AND 1987 PRICES

6.2.1 Competitive Advantage

a) Derivation

	Per Tonne Present Exchange Rate		Per Tonne Minimum exchange rate for competitive advantage	
	Fmg '000	US$1=Fmg 830	Fmg'000	US$1=Fmg961
Raw Materials (including fertilizer)	775.90	934.80	829.90	863.25
Production Costs	4616.20	5561.70	5054.10	5257.22
Transport to Majunga	12.00	14.46	13.50	14.04
Warehousing	4.05	4.88	4.05	4.21
Loading on board	2.82	3.40	2.82	2.93
Transport to Tamatave	35.00	42.17	39.40	40.98
Unloading	2.82	3.40	2.82	2.93
Warehousing	4.05	4.88	4.05	4.21
Loading on board	2.82	3.40	2.82	2.93
Freight to NW Europe	302.95	365.00	350.90	365.00
Insurance	54.11	65.19	54.10	56.27
CIF NEW EUROPE COST	5812.72	7003.40	6358.46	6614.00
CIF PRICE NW EUROPE (from World Bank)	5489.62	6614.00	6358.46	6614.00
COMPETITIVE ADVANTAGE	(323.20)	(389.40)	0.00	0.00

Therefore, at 1991 production levels, FAMAMA has no competitive advantage in the production of kernels until the exchange rate declines to US$1 = Fmg 961.

b) Calculations

CIF NW EUROPE/TONNE DEDUCED FROM ACCOUNTS

	US$ 1 = Fmg 830			US$1 = Fmg 961		
VARIABLE	Local Costs	Forex Costs	Total	Local Costs	Forex Costs	Total
Raw materials	435.00	-	435.00	435.00	-	435.00
Fertilizer	-	340.90	340.90	-	394.90	394.90
Personnel	434.80	-	434.80	434.80	-	434.80
Transport	19.50	78.20	97.70	19.50	90.60	110.10
Maintenance	74.00	295.80	369.80	74.00	342.60	416.60
FIXED						
Personnel	434.80	-	434.80	434.80	-	434.80
TA	-	200.40	200.40	-	232.10	232.10
Taxes	21.10	-	21.10	21.10	-	21.10
Research	140.30	-	140.30	140.30	-	140.30
Maintenance	24.60	98.60	123.20	24.60	114.20	138.80
Management	21.10	-	21.10	21.10	-	21.10
Interest on loan	-	2093.70	2093.70	-	2425.10	2425.10
Depreciation	679.30	-	679.30	679.30	-	679.30
OTHER						
Transport to Majunga	2.40	9.60	12.00	2.40	11.10	13.50
Warehousing	4.05	-	4.05	4.05	-	4.05
Loading	2.82	-	2.82	2.82	-	2.82
Transport to Tamatave	7.00	28.00	35.00	7.00	32.40	39.40
Unloading	2.82	-	2.82	2.82	-	2.82
Warehousing	4.05	-	4.05	4.05	-	4.05
Loading	2.82	-	2.82	2.82	-	2.82
Freight to NW Europe	-	302.95	302.95	-	350.90	350.90
Insurance	54.11	-	54.11	54.11	-	54.11
GRAND TOTAL						
Fmg '000	2364.57	3448.15	5812.72	2364.57	3995.12	6359.69
US$	2848.88	4154.40	7003.28	2459.60	4154.40	6614.00

The minimum exchange rate for competitive advantage is calculated below.

	US$ Current Level	Required Level
Foreign Exchange	4154.40	4154.40
Local	2848.88	2459.60
TOTAL	7003.28	6614.00

Therefore $\frac{2848.88}{2459.60}$ x current exchange rate (830)

= minimum exchange rate for competitive advantage

= Fmg 961 to US$1

6.2.2 Comparative Advantage

a) Derivation

Assumptions

(i) Labour and exchange rates as 6.1.2 a)
(ii) Opportunity cost of raw nuts = $683.83 per tonne, the current FOB market price less costs between plantation and post.

Per Tonne

	Fmg'000	US$
CIF NW Europe Cost	6956.03	5796.69
CIF NW Europe Price	7936.80	6614.00
COMPARATIVE ADVANTAGE	980.77	817.31

b) Calculations

The economic CIF NW Europe cost per tonne deduced from the accounts and using the assumptions in 6.1.2 a) is as follows.

	Per Tonne/Fmg'000		
INPUTS	Local Costs	Forex Costs	Total
Raw nuts	820.60	-	820.60
PRODUCTION COSTS			
Personnel	608.72	-	608.72
Transport	19.50	113.06	132.56
Maintenance	98.60	570.22	668.82
TA	-	289.73	289.73
Research	140.30	-	140.30
Management	21.10	-	21.10
Interest or loan	-	3027.04	3027.04
Depreciation	679.30	-	679.30
TRANSPORT/OTHERS			
To FOB Majunga	7.41	13.88	21.29
Freight to Tamatave	7.00	40.48	47.48
Transfer	6.98	-	6.98
Freight to NW Europe	-	438.00	438.00
Insurance	54.11	-	54.11
GRAND TOTAL			
Fmg'000	2463.60	4492.41	6956.03
US$	2053.00	3743.68	5796.68

C. IMPLICATIONS FOR DIVESTITURE ACTION

1. ACTION NECESSARY

FAMAMA is a good candidate for divestiture action in the longer term, due to the strong market for cashew products, but it must just take several preliminary measures to make itself attractive to private management and/or private investors. The major problem that it faces is the questionable selection and planning of its processing factory, as the factory appears destined to accumulate further losses for the company. In order to avoid this and enhance its near term performance, FAMAMA should :

a) Discuss with BAD the possibility of delaying the installation of the factory for at least two years in order to allow sufficient supplies of raw cashew nuts to be produced;
b) Discuss with the suppliers the possibility of decreasing the size of the cashew processing plant to one more in line with the supplies of raw cashew nuts available to FAMAMA;
c) Invite COROI and foreign cashew processing companies to participate on very preferential terms in the 40 % non-state share of the capital that is not yet subscribed.

- As FAMAMA is clearly not a very attractive investment at this moment, it is unlikely that external participation can be attracted without making a preferential offer. This preferential offer would serve to expand FAMAMA's raw cashew nut sources of supply (ie. assuming COROI was attracted to participate) and give FAMAMA access to needed expertise in the cashew processing industry (ie. from foreign participants). One way in which the preferential offer of equity participation could be structured is to link the participant's share to the degree to which FAMAMA's performance improves over the next 2 years (ie. if FAMAMA's losses were to be reduced by 50 % over the period due to assistance from the non-state participants, the non-state participants would be entitled to x % of the equity).

d) Hire a qualified accountant to head the accounting function.

- As the company is going to be involved a more complex operation in the near future, it will need greater expertise to handle the financial reporting requirements. A first priority for this individual should be to establish a prix de revient that ties in with the accounts and analyze the changes in personnel costs over the last 3 years.

2. POTENTIAL FOR IMMEDIATE ACTION

Given the many questions regarding the factory that are yet to be answered (ie. when is the ideal time to install it, what is the ideal size, can it in fact be competitive), FAMAMA is not an immediate candidate for divestiture action. The preliminary measures outlined above, however, should be taken as quickly as possible, as the market for processed cashew products is clearly very strong and may be able to be profitably exploited by FAMAMA in the future.

FAMOKARANA MAHABIBO MALAGASY (FAMAMA)

I . CREATION

1°)- Historique

La FAMAMA avait été créée par le Décret n°73-283 du 28 Septembre 1973 sous la forme juridique de ferme d'Etat. De l'accord de prêt intervenu entre l'Etat Malagasy et la Banque Africaine de Développement le 8 Mars 1984, ratifié par l'Assemblée Nationale Populaire (ANP) suivant loi n°84-012 du 11 Juillet 1984, il ressort que ladite banque a accordé un prêt de 4 432 800 000 FMG environ pour financer la totalité des coûts en devises et une partie des coûts locaux d'un complexe agro-industriel d'anacarde.

2°)- Dérogation à la Charte des Entreprises Socialistes

Consécutivement à cette convention de prêt, une ordonnance portant le n°85-001 du 15 février 1985 a créé une Société d'Economie Mixte (SEM) dénommée FAMAMA. Ce texte a abrogé le décret de 1973 ayant créé la ferme d'Etat. Cette ordonnance déroge à l'article 60 de l'ordonnance portant refonte de la Charte des Entreprises Socialistes. En effet, l'Etat devant détenir 51 % au moins du capital de la SEM FAMAMA, la forme juridique qui aurait dû être adoptée en transformant la ferme d'Etat est celle d'une Entreprise Socialiste.

.../...

3°)- Objet social

Par ailleurs, cette ordonnance fixe l'objet de la SEM qui consiste à entretenir, surveiller et exploiter les périmètres anacardier (peuplement naturel et production artificielle) se trouvant dans le Faritany de Mahajanga et d'Antsiranana en vue de la production de noix d'anacarde, gérer le matériel mis à sa disposition, mettre en place et exploiter une usine de traitement de noix d'anacarde, commercialiser et exporter les produits bruts ou traités d'anacardier en détenant à cet effet le monopole de l'exportation.

4°)- Capital de la SEM

La totalité de l'actif et du passif de la ferme d'Etat a été dévolue à la SEM. Le capital de celle-ci a été fixé à 580 000 000 de FMG, souscrit en majorité par l'Etat Malagasy. Les statuts sociaux prévoient la possibilité pour les personnes physiques ou morales de droit privé de détenir 40 % de ce capital social.

5°)- Statuts de la SEM

Les statuts, ainsi que les modalités de fonctionnement de la SEM ont été approuvés par voie de décret portant le n°86-043 du 19 février 1986.

.../...

II . ORGANISATION ET FONCTIONNEMENT

1°)- Gestion de la SEM

M. Henri FINGANA, Ingénieur des Eaux et Forêts de classe exceptionnelle, qui a déjà été le Directeur Gérant de l'ancienne ferme d'Etat a été nommé Directeur Général de la SEM, suivant décret pris en Conseil des Ministres n°85-355 du 4 Novembre 1985.

La Société est administrée par un Conseil d'Administration composé de 12 membres au plus et au sein duquel 6 sièges sont réservés à l'Etat, 2 sièges pour les Faritany de Mahajanga et d'Antsiranana et 4 sièges réservés aux représentants des autres actionnaires.

Les représentants de l'Etat au sein de ce Conseil ont été nommés par arrêté ministériel n°1535/86 du 28 Mars 1986.

2°)- Contrôle de la SEM

a)- Contrôle de tutelle

L'article 3 de l'ordonnance n°65-001 du 15 février 1965 stipule que le Ministre de la Production Animale (Elevage et Pêche) et des Eaux et Forêts, ainsi que le Ministre auprès de la Présidence de la République chargé des Finances et de l'Economie sont désignés "Ministères directement intéressés" et à ce titre, sont chargés d'assurer et de suivre pour le compte du Gouvernement la mise en place et le fonctionnement de cette société et de lui rendre compte annuellement. La Société doit en conséquence adresser à ces deux Ministres, d'une manière régulière, tous rapports sur son fonctionnement, ses activités et les résultats acquis.

.../...

b)- Contrôle administratif et financier

La nomination du Commissaire aux Comptes de la Société qui a pour mission de vérifier la régularité et la sincérité des comptes, revient à l'Assemblée générale constitutive des actionnaires laquelle ne s'est pas encore réunie.

La désignation du Commissaire du Gouvernement qui a notamment tous les pouvoirs d'investigation sur pièce et sur place, n'a pas encore eue lieu.

OFMATA

Enterprise Data Sheet

Name:	OFMATA (Office Malgache des Tabacs)
Location:	Headquarters Antananarivo; operations throughout entire country (7 Zones, 35 sectors, 142 sections)
Legal Status:	Etablissement Public a Caractere Industriel et Commercial (EPIC)
Shareholding:	100% State
Activities:	(1) Extension support to smallholder tobacco planters and technical control of tobacco cultivation (2) Provision of tobacco cultivation inputs (3) Purchase of green tobacco and drying of same for sale to cigarette and chewing tobacco manufacturers (4) Import-export of tobacco
Staff:	445

KEY FINANCIAL INDICATORS 1/

YEAR ENDED (MONTH & DATE)	1984	1985	1986
	(12/31)	(12/31)	(12/31)
	----------Fmg mn---------		
Sales	2103	3782	3323
Profit from operations 2/	(299)	106	(126)
New profit	(511)	(90)	(388)
Cash Flow from operations	(452)	(24)	(270)
Total assets	2547	3787	NA
Total indebtedness	(2833)	(3546)	NA
Net equity	(286)	(359)	NA
Profit from operations/sales	(14%)	3%	(4%)
Profit from operations/total assets	(12%)	3%	NA
Debt/Equity	(neg.)	(neg.)	NA

1/ Based on unaudited provisional financial data supplied by OFMATA.

2/ After depreciation before financial charges.

A. EVALUATION OF PERFORMANCE IMPROVEMENT POTENTIAL

1. Recommendation:

Proceed to a Phase II study of the viability of reorganising all or some of OFMATA's tobacco-buying and selling activities on a commercial basis.

2. Conclusions

Potential may exist to set up the buying, treating and bulk selling of tobacco as a private commercially-operated enterprise. Such potential is based on the judgement that a viable market for Madagascar's tobacco may be available. This market could be local or international, as Madagascar once operated as a successful world market supplier. A transformed OFMATA might provide the vehicle for privatizing these tobacco industry buying-selling activities, but this organization presents several weaknesses:

- OFMATA's present financial state is disastrous. OFMATA appears to have negative net worth based on several year's accumulated losses. A complete financial restructuring of OFMATA would be required before the enterprise could begin to operate as a commercial entity.

- OFMATA's present legal form (EPIC) is inappropriate for an enterprise involving commercial operations. The EPIC form imposes accounting and personnel procedures which are inconsistent with commercial purposes. Hence, a change of legal structure would be needed.

- OFMATA faces certain legal and land tenure problems which could influence the volume of high value tobacco production available for purchase and sale. These problems would need to be resolved to give OFMATA maximum production potential.

The constraints outlined above could well be sufficient to eliminate any short to medium term hope of improving tobacco industry performance through a restructured OFMATA. A possible alternative may be to privatize only a strategic portion of OFMATA's operations, for example the buying/treating/selling of export-oriented tobacco production alone.

3. Analysis

3.1 Market Issues: Potential appears to exist to expand sales of Madagascar's tobacco production.

- o Domestically, Madagascar has a well-established market for tobacco, but at present supply does not meet demand.

- Current demand for tobacco (all varieties) is estimated to be about 5000-6000 tonnes per year, broken down as follows:

	tonnes
dark tobacco	
- Missionero	1200
- Corse	3000-4000
	4200-5200
light tobacco	
- Virginia	600
- Burley	300
	900
Total	5100-6100

Source: OFMATA estimates

Missionero some Corse and all light tobacco are used in local cigarette production, handled by the two manufacturers SACIMEM and SEITA-MAD. The balance of the Corse variety is used for chewing tobacco products, manufactured by 10 different local firms.

- Domestic supply of tobacco to Madagascar's manufacturers falls short of the level of potential demand. Sales volume amounted to about 3800 tonnes in 1986, valued at Fmg 3,154 million. This represents a deficit of about 1200-2200 tonnes against potential demand. It is notable that SACIMEM (55%) and SEITA-MAD (19%) together account for about three-quarters of the tobacco sales in Madagascar.

- The shortfall in meeting demand has emerged with declining production of leaf tobacco. Based on OFMATA data, total production of tobacco peaked in the early 1970's at a level of about 5500 tonnes per year. A significant part of this production (roughly 3000 tonnes) was in the high value export-oriented Virginia and Burley varieties. Overall production was at that point sufficient to export and supply the local market as well. Present production amounts about 3000 tonnes (1986) to 4000 tonnes (1984) per year, as summarized in Table 1.

Table 1 Tobacco Production in Madagascar
By Variety, 1971-1986 (tonnes)

Year	Missionero	Corse	Burley	Virginia
1971	NA	1143	2139	1472
1972	1095	1345	1640	1266
1973	1203	1422	887	837
1974	1493	602	528	364
1975	1341	915	508	855
1976	1355	1296	570	696
1977	934	955	486	772
1978	733	1034	439	831
1979	1789	1519	402	607
1980	1433	2008	296	715
1981	1161	1699	198	805
1982	461	1798	292	223
1983	355	1467	246	175
1984	975	228	319	110
1985	1609	1973	251	154
1986	1680	996	58	223

Source: Coopers & Lybrand compiled from OFMATA "Evolution Production Tabacs en Feuille - 1971 a 1986"; and P. Fighiera "Mission a Madagascar" (October 1985).

- Declining production is reportedly due to three major factors: For Burley variety, production declines date from 1973 when the expatriate concessionaires of the AGREXTA organization left their 70,000 ha concession in the Betsiriry valley and departed Madagascar. OFMATA has attempted to replace the concessionaires' production program, but the disruptions discouraged the peasant farmers who were involved in Betsiriry operations, and many have turned to other crops. For Virginia variety, production declines date first from events in the 1973 period and second, from 1981, when OFMATA was unable to meet its obligations to buy output of the semi-industrial

producers of Mampikony because of cash flow problems. Though the arrears amounting to Fmg 300 million have since been paid (1985), the experience discouraged production. Finally, in 1982, a cyclone swept through some of the major tobacco-producing areas of Madagascar and damaged the crop. The effect of this cyclone was felt throughout both the 1982 and 1983 production seasons and was intensified by a lack of inputs (e.g. fertilizer) due to non availability of foreign exchange.

- To make up some of the supply OFMATA has undertaken tobacco import operations. Data are sketchy, but import volumes in recent years appear to have varied from negligible amounts (1982 and 1984) to 1800 tonnes (1979):

Year	Volume (tonnes
1978	270
1979	1804
1980	1112
1981	427
1982	--
1983	509
1984	---
1985	799
1986	454

Source: MPARA, Statistiques Agricoles; OFMATA.

Variation in import volumes are reportedly a function of variation in foreign exchange availability and the level of local production. In 1985 import values for leaf (799 tonnes) and manufactured tobacco (40 tonnes) amounted to Fmg 1538 million (US$ 2.28 million) at the prevailing exchange rates.

- Export markets are believed to exist for Madagascar's Burley and Virginia varieties.

- In recent years Madagascar's tobacco exports have been non-existent, but OFMATA reports that in the early 1950's Madagascar exported 400 tonnes of Burley and Virginia varieties annually, so that tobacco ranked seventh among export products. Export activity was effected through SEITA-France which up to 1963 guaranteed export sales of up to 3500 tonnes of dried tobacco and 600 tonnes of green tobacco at good prices. When SEITA-France largely severed export ties with Madagascar in 1971, export sales dropped off to no more than 200 tonnes (1980) to 400 tonnes (1982).

- o OFMATA reports that the quality of Madagascar's Burley and Virginia varieties is well-regarded in the world market. Potential buying teams from Phillip Morris, British American Tobacco Company, Leaf Tobacco Export Company, etc., have apparently continued to express interest in the Burley and Virginia product in the 1980's.

- o Even at former levels of production, Madagascar's sales of Burley and Virginia could be easily absorbed internationally, for the world market for these varieties is substantial. According to U.S. Department of Agriculture estimates, the total export market for Burley amounts to 200,000 tonnes annually and that for Virginia about 675,000-700,000 tonnes annually.

- o One advantage may be Madagascar's price for some export varieties. According to OFMATA's budget for 1987, the sales price for Burley is approximately US$ 1.70/kg (at present exchange rates) including a 15% profit margin. This figure is roughly comparable with Burley prices of US$ 1.75/kg that producer nations such as Zimbabwe or Malawi charged for Burley of similar quality in 1986. (Present early 1987 prices have slumped somewhat however.) OFMATA's Virginia variety grown by semi-industrial producers also has a 1987 budgeted sales price equivalent about US$ 1.70 per kg at present exchange rates, including a profit margin of 10%. This figure exceeds,

however, recent international prices for flue-cured tobacco though in dollar terms it is likely to become more competitive with continuing devaluation of the Fmg. (It is notable, however, that the cost price of the Virginia variety purchased from small growers exceeds US$ 3.00 at present exchange rates. This smallholder production is in effect subsidized by the OFMATA profit margin on semi-industrial domestic sales, and is non-competitive.)

- OFMATA's pricing structure for tobacco is subject to constraints. Buying prices by level of quality are set by the organization's conseil d'administration, and are then passed to the OFMATA ministries of tutelle (MPARA and Finance) for official approval. Selling prices are also set by the conseil d'administration. Since this conseil includes representatives of the tobacco manufacturers, in practice official sales price approval has not been requested.

3.2 Technical Issues: While Madagascar's producers have demonstrated that tobacco can be a viable crop, renewal of production to former levels must address a number of technical problems:

- Much of the equipment essential to production and treatment (drying) of tobacco has fallen into disrepair over the past few years. Equipment to be repaired or replaced would include:

  - Curing ovens ("fours") for the flue-curing of Virginia variety, as many as 250 ovens at Fmg 1.5 million each (repair) or Fmg 4 million each (replace).

  - Irrigation equipment, or spare parts for irrigation equipment, especially for the Mampikony Virginia variety producers.

- Technically and economically viable alternatives to wood fuel must be identified for the heating of flue-curing ovens. Each

over roughly a subsequent 12 month period. Tobacco stocks are therefore quite illiquid and necessitate substantial working capital funds. OFMATA's lack of working capital has thus limited its ability to expand operations, making it difficult to service existing debt and adding to the burden of its financial charges. Recapitalization of OFMATA or a successor entity would need to include an investment in a "permanent" working capital base to reduce these constraints.

- As an "EPIC" OFMATA is required to maintain two sets of accounts: one according to public sector administrative accounting principles, and the other for the commercial purposes of its tobacco buying and selling. The latter system has been created on an ad hoc basis within the administrative accounts. Both sets of accounts are maintained by government "agents comptables" who are not qualified to undertake commercial accounting. The result is that accounts are substantially delayed or are incomplete: for example, for purposes of the present analysis, provisional balance sheets for 1984 and 1985 were specially prepared by OFMATA, and no provisional or projected balance sheets are available for the 1986 or 1987 fiscal years. OFMATA's management is thus forced to work in a state of permanent financial crisis without sufficient information to guide decision-making.

3.4 Organizational/Administrative Issues: The fundamental organizational issue to be settled is whether OFMATA can be transformed to efficiently handle the commercially-focused tobacco buying/selling activities essential to the revival of Madagascar's tobacco production.

- A proposal is outstanding (P. Fighiera Mission a Madagascar, October 1985, Annex II) by which OFMATA's role for the high-value, export oriented Virginia and Burley varieties would be reduced to that of an extension ("encadrement")/control function. Under this scheme OFMATA's current responsibilities for buying/selling and drying of these varieties would be assumed by the existing

tobacco-drying enterprise SITAM. Import of all tobacco would become the charge of tobacco manufacturers. Otherwise OFMATA's responsibilities would be unchanged from present arrangements.

- Such a proposal would no doubt require a recapitalization of SITAM, a majority private sector firm in which OFMATA holds one third ownership. SITAM is reported to be in financial difficulty.

- A private foreign investor might be attracted to participate in a joint venture with SITAM to undertake buying/drying/selling of Virginia and Burley varieties (certain firms--INTABEX, SEITA-France, Phillip Morris, BAT-- are all reported to have expressed varying levels of interest in Madagascar's tobacco industry). This investor would ideally bring foreign exchange investment funds and expertise and market links in the international tobacco trade.

o An alternative approach would be to restructure and recapitalize OFMATA itself to undertake revival of the tobacco industry.

- Under this approach OFMATA would be transformed to a Societe d'Economie Mixte. This firm would retain 51% state ownership, but would give OFMATA the flexibility to operate as a commercial organization commensurate with its business-oriented tasks. In particular this transformation would permit OFMATA to (1) introduce fully commercial accounting to replace the present administrative accounting system and give (for example) its Director-General the power sign cheques, an authority he does not now possess; and (2) establish a uniform personnel policy and salary scale characteristic of a commercial enterprise, as opposed to the present mixture of civil servant and "code du travail" procedures.

- Such an approach could entail complications, namely that transformation of OFMATA to a Societe d'Economic Mixte may require an exception to the Charte des Entreprises Socialistes.

- Recapitalization under this approach would mean a major reduction and restructuring of OFMATA's liabilities as well as a substantial infusion of new capital.

- Again a foreign partner would ideally participate in an OFMATA joint venture to provide capital, expertise and market ties.

OFMATA (or a successor entity) faces certain legal problems which might limit production of high value Burley and Virginia.

- The former concessionaires of the Betsiriry valley, although absent from Madagascar, continue to claim ownership of their land. Resolution of this land tenure problem would be important before any Burley expansion program were promoted. Compensation plus expropriation ("expropriation pour cause d'utilite publique") might be one approach.

- The semi-industrial planters of Virginia tobacco in the Mampikony concession have taken OFMATA to court regarding their claim for interest on Fmg 300 million in payments overdue to them between 1981 and 1985. Settlement of this claim might improve chances for encouraging revival of Virginia production.

- A sum of FF 22 million is owed to SEITA-France in tobacco-related payments. Though OFMATA made its payments for this amount to the Central Bank these monies continue to be blocked at that level. After negotiations, SEITA-France reportedly has been willing to accept a

significantly lower figure in payment of the debt, though Central Bank officials have not acted in response. Settlement of the outstanding SEITA-France payment may be necessary to improve the climate for attracting a potential foreign investor to assist in reviving tobacco production.

B. IMPLICATIONS FOR DIVESTITURE ACTION

1. Action Necessary:

Privatize OFMATA's Virginia-Burley buying/drying/selling operations to re-establish Madagascar as a tobacco exporter.

2. Potential for Immediate Action

Action to privatize the Virginia-Burley operations may be possible within the next two years. Pre-conditions would include:

- Detailed study of market, technical, financial and organizational feasibility of setting up the proposed operation on a commercial basis.

- Determination of most efficient form of enterprise to undertake operations: a new entity versus OFMATA transformed as Societe d'Economic Mixte.

- Identification of foreign joint venture partner

- Resolution of legal and land tenure challenges outlined above.

C. BUSINESS PLAN

1. Enterprise Objective: Privatize selected segments of OFMATA's present tobacco sector activities.

2. Business Strategy: Focus on Burley and Virginia varieties as a immediate privatization priority. Establish buying/treatment/selling of Burley and Virginia varieties (local and export market) as a self-financing commercial operation in the hands of an independent entity. (Eventually, with success in Burley and Virginia, consider privatizing OFMATA buying/selling activities for Corse and Missionero as well.)

3. Action Program:

3.1 Institutional Structure: Set up institutional roles for development of the Burley and Virginia subsector as follows:

Task	OFMATA	New Entity[a/]	Manufacturers[b/]
Agricultural Research	X		
Grower Licensing	X		
Grower Extension and Support[c]	X		
Quality Control and Fraud Prevention	X		
Purchase from Growers		X	
Drying of Leaf		X	
Sale to Manufacturers		X	
Importation			X

a/ Possibly a foreign investor/SITAM joint venture or a joint venture between a foreign firm and another enterprise
b/ Existing cigarette manufacturers in Madagascar
c/ "Encadrement"

Source: Based on P.Fighiera "Mission a Madagascar" October 1985, annex III.

Note that OFMATA's role in promoting Corse and Missionero would continue as at present, at least temporarily.

3.2 Burley Program: Concentrate on improving production of Burley grown by smallholders ("culture familiale") in the Miandrivazo region as well as

in Ambodisatrana and Ampasimatera. According to OFMATA's rough projections, a possible Burley production program might be as follows:

	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6
hectares (ha)	565	875	1275	1525	2000	2000
yield (tonnes/ha)	0.9	0.9	0.9	0.95	1.0	1.0
tonnes	510	790	1160	1450	2000	2000

Source: Based on OFMATA, Project Relance de la Tabaculture Burley & Virginie (July 1985).

3.3 Virginia Program: Reinforce the semi-industrial production of Virginia variety in the Mamipikony region. Again, using OFMATA's rough projections, a possible Virginia production program might be as follows:

	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6
hectares (ha)	450	500	500	500	550	550
yield (tonnes/ha)	1.4	1.5	1.5	1.5	1.5	1.5
tonnes	630	750	750	750	750	750

Source: Based on OFMATA, Projet Relance de la Tabaculture Burley & Virginie (July 1985).

4. Resource Requirements: OFMATA has estimated that renewal of Burley and Virginia production will require investment in equipment, vehicles and buildings. Assuming that a new entity taking responsibility for purchase/treatment/sale of these two varieties would have to make investments of roughly the same order of magnitude as that projected by OFMATA, the sums required might run as follows:

	Yr1	Yr2	Yr3	Yr4	Total
		(Fmg million)			
Virginia (Mampikony)					
. ovens	324	54			378
. spare parts	36	6			42
Subtotal	360	60	---	---	420
Burley (Miandrivazo, etc.)					
. equipment	400	285	320	185	1190
. buildings	46	44	84	96	260
Subtotal	436	329	404	281	1450
Total	796	389	404	281	1870

Source: OFMATA, Projet Relance de la Tabaculture Burley & Virginie (July 1985). All figures increased by 20 percent to reflect inflation.

Additionally, an investment in working capital for the purchase/treatment/sales operation would be required. Working capital needs would have to be carefully calculated, but as a notional figure on investment in permanent working capital might amount to about Fmg 700 million initially rising to a much as Fmg 1700 million in 4 to 5 years. Additional seasonal working capital needs would be financed through bank overdrafts.

5. Performance Targets: Performance of the new entity would be measured in terms of rates of return. In view of the order of magnitude investment amounts outlined above, and assuming a target return on investment of 10 percent annually, a net profit of about Fmg 130/kg (Burley) and Fmg 138/kg (Virginia) would be required at the mature production levels of 2000 tonnes/year Burley and 700 tonnes/year Virginia:

Investment-Fmg 3570 million

Production

Burley 2000 tonnes (73%)

Virginia 700 (27%)

Investment base

Burley - Fmg 2606 million

Virginia - Fmg 964 million

However, an additional devaluation in the Fmg of about one-third relative to the current US$ exchange rate would bring the target cost price for Virginia more or less in line with OFMATA's present cost price for semi-industrially grown Virginia:

Malawi 1987 price	(Fmg/kg)
. US$	1.26
. Fmg 1/	1386
target margin	138
target cost price	1248

1/ Fmg 1100 = US$1

6. Organizational/Structural/Management Requirements:

6.1 Conduct a Full Audit of OFMATA. OFMATA's financial situation must be clarified as a first priority to promoting development of the tobacco sector. Hence a complete audit of OFMATA must be performed.

6.2 Undertake a Detailed Study of the Viability of Privatizing Burley and Virginia Variety Purchase/Treatment/Sale Operations. Such a study would assess the financial and economic viability of operating a Burley and Virginia program on a strictly commercial basis, including:

- local and export market viability (volumes, quality standards, prices, distribution systems, etc.)

- technical viability (technical analysis of operations-purchase, storage, drying and sales programs - including plant and equipment investment requirements)

- financial viability (projected financial statements, discounted cash flow rate of return analyses and sensitivity tests)

- economic viability (economic analysis of the proposed privatized operation)

- organizational viability (determination of the most effective vehicle for the privatized operations - an entirely new independent entity or some transformation of the whole or a part of OFMATA.)

6.4 Identify a Foreign Partner. To assist in the marketing and technical operations of the new entity a foreign partner must be identified. This partner would have internationally proven expertise in tobacco buying and selling, and in the treatment of tobacco. Additionally. this partner would bring equity funds in foreign exchange to the new venture.

6.5 Guarantee of Investment. To interest potential foreign partners in the proposed venture, as a practical matter an appropriate framework of investment guarantees must be created. Because the Code des Investissements possesses certain inherent weaknesses and because it is not yet legally binding, such guarantees might be encompassed in a joint venture contract ("contrat de partenariat"), between Government, the new entity and its foreign partner.

6.6 Access to Foreign Exchange. The new entity would generate foreign exchange through export sales. It would also need foreign exchange for initial investment in plant and equipment, for ongoing operations and for repatriation of dividends and (eventually) capital for its foreign partner. Part of the joint venture contract could provide for a commitment to guaranteed access to foreign exchange for the new entity.

6.7 Liberal Pricing Policies. To be able to operate as a private entity, the new venture would require freedom to negotiate buying and selling prices according to its own commercial objectives. Such control over pricing could be provided for in its joint venture contract.

6.8 Resolution of Outstanding Legal Issues. To facilitate promotion of the new venture with prospective foreign partners and to enhance chances of increasing Virginia and Burley production, three outstanding legal issues should be examined and resolved:

- land tenure disputes in the Betsiriry valley

- late payment interest claims to Mampikony semi-industrial producers.

- SEITA - France blocked payments.

Table 1 Summary Operating Statement for 1984 and 1985

(Fmg million)

	1984	1985
Sales	1991	3047
Other production	1	19
Work for own account	4	2
Change in stocks	(346)	116
less		
. purchase raw materials	(1213)	(2325)
. outside supplies/service	(151)	(86)
. travel and transport	(39)	(84)
. various overheads	(33)	(40)
equals Value Added	214	649
plus CRACT 1/	112	117
less		
. labour	(562)	(589)
. consumption taxes & others	(4)	(5)
equals Funds from operations 2/	(240)	172
less Depreciation	(59)	(66
equals PBIT 3/	(299)	106
less Financial charges	(213)	(196)
plus Interest income	1	-
equals PBT 4/	(511)	(90)

1/ Caisse de reconversion and amelioration culture tabacs.

2/ "Excedent Brut d'Exploitation"

3/ "Resultat Brut d'Exploitation"

4/ "Resultat d'Exploitation"

Source: OFMATA Comptes d'Exploitation Generale. 1984 and 1985

Table 2: Summary Financial Structure Selected Years

(Fmg million)

	1981	1984	1985
Net fixed assets	428.7	515.5	499.4
Stocks	1630.6	1063.8	1180.0
Receivables	1406.7	758.1	1025.3
Cash at bank	150.5	209.4	482.0
Total	3615.6	2546.8	3186.7
Net equity	659.7	(286.9)	(359.3)
Long/medium term liabilities	46.7	46.7	46.7
Short term liabilities	2910.1	2787.0	3499.3
. loans less than one year	900.0	1160.5	1647.9
. other short term debts	2010.1	1626.5	851.4
Total	3616.5	2546.8	3186.8
Permanent working capital 1/	277.7	(755.7)	(811.9)
Working capital needs 2/	1027.2	195.4	353.9
Treasury deficit 3/	(749.5)	(951.1)	(1165.8)
Financial charges/sales	5.3%	10.7%	6.4%
Short term liabilities/total assets	80.5%	109%	110%

1/ Represent (net equity and long/medium term liabilities) - net fixed assets.

2/ Represents (stock and receivables) - other short term debts.

3/ Represents permanent working capital - working capital needs.

Source: calculated from OFMATA data

OFFICE MALAGASY DES TABACS

O F M A T A

I. - CREATION

1. FORME JURIDIQUE

L'Office Malagasy des Tabacs - OFMATA a été créé par voie de décret, portant le n° 69-386 du 26 août 1969, sous la forme juridique d'établissement public à caractère industriel et commercial.

2. O B J E T

L'OFMATA a pour objet d'assurer pour le compte de l'Etat la tutelle, le contrôle général de la promotion qualitative et quantitative de la production tabacole malgache.

3. STATUTS

Les statuts, ainsi que les modalités de fonctionnement de l'OFMATA sont approuvés par le décret n° 69-386 ci-dessus indiqués.

II. - ADMINISTRATION DE L'ETABLISSEMENT

1. LE DIRECTEUR GENERAL (D.G.)

M. HAMADA Olivier , Ingénieur d'agriculture de 1ère classe, 1er échelon a été nommé Directeur Général de l'OFMATA suivant décret n° 81-055 du 3 mars 1981.

Il a pour mission de :

- préparer les réunions du Conseil d'Administration et mettre en application ses décisions.

- assurer le fonctionnement de l'ensemble des services de l'établissement et gérer son personnel.

- représenter l'établissement dans tous ses actes.

./.

2. LE CONSEIL D'ADMINISTRATION (C.A.)

Les membres du C.A. de l'OFMATA ont été nommés par l'arrêté interministériel n° 2740/85 du 2 juillet 1985, modifié par l'arrêté interministériel n° 2050/87 du 29 avril 1987. Ils sont composé de :

- 1 représentant de la Présidence de la République,
- 2 représentants du Ministère Auprès de la Présidence de la République, Chargé des Finances et de l'Economie (MPFE),
- 2 représentants du Ministère de la Production Agricole et de la Reforme Agraire (MPARA),
- 1 représentant du Ministère de l'Industrie, de l'Energie et des Mines (MIEM),
- 1 représentant du Ministère de Commerce (MC),
- 4 représentants des producteurs de tabacs,
- 3 représentants des fabricants de tabacs à mâcher et à cigarettes.

Le C.A. dispose des plus larges pouvoirs pour administrer l'établissement. Il délibère sur les matières qui relèvent de sa compétence expréssement définies par les statuts, ainsi que les questions qui lui sont soumises par les Ministres de tutelle, par son Président ou par le D.G. Le C.A. peut toutefois déléguer au D.G. une partie de ses attributions.

III. - REGIME JURIDIQUE DU PERSONNEL

1. - DU PERSONNEL DE DROIT PRIVE

Le personnel nécessaire au fonctionnement de l'office est nommé par le Directeur Général. En principe, il est soumis au régime de droit privé. Cependant, il semble que le regime de sa rémunération est harmonisé avec celui du personnel employé par l'Etat à ancienneté égale et pour des emplois dont la qualification peut être considérée comme équivalente.

./.

2. - DES FONCTIONNAIRES

En outre, des fonctionnaires sont en fonction à l'OFMATA. Jusqu'à la parution de la loi n° 79-014 du 16 juillet 1979 relative au statut général de la fonction publique, ces fonctionnaires étaient placés en position de détachement. Actuellement, ils sont des fonctionnaires en position d'activité et affectés à cet établissement public.

IV. ORGANISATION FINANCIERE ET COMPTABLE

1. - COMPTABILITE

L'OFMATA, sous réserve de l'ensemble des dispositions particulières prévues ci-dessous, est soumis aux dispositions du décret n° 68-080 du 13 février 1968 portant règlement général sur la comptabilité de l'OFMATA est organisée selon le plan comptable général ; le plan comptable particulier de l'établissement étant approuvé par arrêté du Ministre des Finances.

La comptabilité est accompagnée d'une comptabilité analytique d'exploitation, dont la tenue peut être confiée aux services techniques ou d'exploitation sous le contrôle et la responsabilité de l'agent comptable central.

2. - ETAT DES PREVISIONS DES RECETTES ET DEPENSES

L'état des prévisions des recettes et dépenses est établi par le Directeur Général. Il est présenté, après avis du Commissaire du Gouvernement, au Conseil d'Administration qui en délibère au plus tard le 1er décembre de l'année pour laquelle la prévision est établie. L'état de prévision est soumis à l'approbation des Ministres de tutelle, laquelle intervient par arrêté conjoint pris avant le 25 décembre de l'année précédant le début de l'exercice concerné.

./.

Les recettes de l'office sont constituées essentiellement par le produit de ses ventes de tabac à l'intérieur ou à l'exportation. L'office effectue toutes les dépenses nécessaires au bon accomplissement de sa mission.

3. - L'AGENT COMPTABLE CENTRAL (A.C.C.)

a. - Qualité

L'agent comptable central, chef des services de la comptabilité est nommé par arrêté des Ministres de tutelle. Il a le statut de comptable public.

b. - Attribution

• L'A.C.C. assure le recouvrement des produits, soit spontanément soit en exécution des instructions du D.G.

• L'A.C.C. acquitte les charges de l'établissement sur ordre donné par le D.G. ou après avoir été acceptées par ce dernier.

• La garde et le maniement des fonds et valeurs incombent à l'A.C.C. qui assure la gestion du portefeuille sous l'autorité du C.A. et du D.G.

• L'A.C.C. remet mensuellement ses balances au D.G., lequel en adresse un exemplaire au Commissaire du Gouvernement et en fait un envoi semestriel aux Ministres de tutelle. Au terme de chaque exercice, il fournit à l'ordonnateur le bilan de l'office, le compte "d'exploitation générale" et le compte "pertes et profits".

V. C O N T R O L E

1. - LE CONTROLE DU COMMISSAIRE DU GOUVERNEMENT

Un Commissaire du Gouvernement nommé par arrêté du Président de la République exerce le contrôle de l'activité économique et de la gestion financière de l'OFMATA.

./.

A cet effet, il détient un pouvoir étendu, notamment :

- un droit d'assistance à toutes les séances du C.A. ;
- un droit de visa sur l'approbation des états prévisionnels de recettes et dépenses, les comptes et documents périodiques ainsi que sur les catégories d'actes et décisions de particulière importance.
- un droit de refus de visa à certaines décisions du C.A.

2. - LE CONTROLE DE TUTELLE

L'OFMATA est soumis au contrôle des Ministres de tutelle qui sont composé de :

- M.P.F.E.
- M.P.A.R.A.
- M.I.E.M.
- M.C.

Ce contrôle consiste à l'approbation des actes et décisions du C.A. et particulièrement à celle des comptes financiers par le M.P.F.E.

3. - LES AUTRES CONTROLES

L'OFMATA, comme tout établissement public à caractère industriel et commercial, est soumis au contrôle à postériori de la Chambre des Comptes de la Cour Suprême.

En outre, le contrôle à tout moment de l'Inspection Générale de l'Etat peut lui être imposé.

APPENDIX E

ENTERPRISE NAME	: Abattoir Frigorifique d'Antananarivo
LOCATION	: Antananarivo
LEGAL STATUS	: Etablissement Public a Caractere Industriel ou Commercial (EPIC)
SHAREHOLDING	: Slaughtering of steer, pigs and small ruminants for the livestock owners in the Antananarivo area.
STAFF	: 104
ORGANIGRAM	: See following page.

KEY FINANCIAL INDICATORS
(in FMG million)

YEAR ENDED (MONTH & DATE)	1984	1985	1986
Sales/ventes	135,047	115	175.9
Profit from operations/ Resultat d'exploitation (1)	(77,217)	(55,39)	
Net Profit/Resultat Net	(35,490)	(57,34)	
Cash Flow from operations/ Marge brut d'autofinancement	31,662	(18,360)	
Total assets/Actif total	502,622	433,235	
Total endebtness/Dettes totales	864.121	852.08	
Net Equity/Situation nette	361.5	418,845	
Profits from operations/Sales Resultat d'exploitation/ventes	(57)	(48)	
Profits from operation/Total assets Resultat d'exploitation/actif %	(15)	(13)	
Debt/Equity % Dettes/Situation nette %	No equity	No equity	

(1) After depreciation before interest

RECOMMENDATIONS : POSTPONE ACTION

B. EVALUATION OF PERFORMANCE IMPROVEMENT POTENTIAL

CONCLUSIONS

AFA's performance has some potential to be improved despite the considerable problems it faces. Its performance improvement hinges on :

- Increased exploitation of the local market, which it legally should be controlling; and

- The exploitation of a new market for its beef, SEVIMA or other meat processors who export.

- The successful implementation of a planned European Development Fund rehabilitation program which has not yet started and is already 18 months behind schedule.

The key constraints to improving AFA's performance are :

- The substantial competition that exists from illegally operated slaughterhouses;

- State control of the fee that AFA receives for every steer slaughtered;

- The structural and equipment deficiencies of the slaughterhouse and;

- The heavy organisational form, EPIC, that it operates under.

1. MARKET ISSUES

- AFA has a large officially captive local market.

  . Antananarivo is estimated to consume 90,000 steer and 60,000 pigs annually, volumes equal or close to AFA's full operating capacity;
  . Decret No 72-072 states that all steer destined for consumption in Antananarivo and all steer slaughtered in Antananarivo must be slaughtered at AFA.

- AFA faces intensive competition.

  . Numerous clandestine slaughterhouse exist on the perimeter of Antananarivo and several are located within city limits There are estimated to be approximated 10 major slaughterhouses of this kind.
  . The clandestine slaughterhouses are known to supply the large institutional markets, including the hospitals, university, army, and large hotels. This constrasts sharply with AFA's clientele which consists primarily of small cattle farmers who supply the local markets.

. The clandestine slaughterhouses charge much lower prices than AFA as they do not pay taxes and do not have the expensive equipment needed to maintain quality standards. Their slaughtering fee per steer is estimated to be Fmg 1500 against the State controlled fee that AFA's clients pay of Fmg 3250.

2. TECHNICAL ISSUES

- The slaughterhouse is severely underutilized, as indicated in the table below. This is the result of illegal competition from clandestine slaughterhouses which currently provide an estimated 66 % of Antananarivo's steer meat needs and 100 % of its pork needs.

YEAR	STEER SLAUGHTERED	STEER CAPACITY	% UTILIZAT.	PIGS SLAUGHTERED	PIG CAPACITY	% UTILIZATION
1979	74,071	120,000	62	15 358	60,000	26
1980	60 037	"	50	11178	"	19
1981	40 154	"	33	3157	"	5
1982	52 170	"	43	933	"	2
1983	49 317	"	41	270	"	-
1984	50 553	"	42	-	"	-
1985	38 428	"	32	-	"	-
1986	34 546	"	29	912	"	2
1987*	12 500	50,000	25	0	25,000	-

* : January - May only

Source : Coopers & Lybrand

- The slaughterhouse does not have an adequate delivery capability.

  . AFA currently has no refrigerated trucks for the delivery of beef. This limits its clientele to those who have a transport capability.

- AFA's technique for slaughtering pigs is badly suited to the Antananarivo market.

  . The Malagasy prefer that the bristles be taken off pigs by a burning process (for the smell and skin color effect that this produces) rather than boiling process used by AFA. This preference explains the historically minimal utilization of AFA's pig slaughtering capacity.

- AFA currently does not meet the hygeinic standards required by the European Community.

  . AFA lost European Community Certificate in 1985 and has not produced beef for export since then.

3. FINANCIAL ISSUES

- AFA is technically insolvent

  . Total debt amounted to Fmg 852 million against Fmg 433.235 million in assets at year end 1985 (the last year for which complete financial statements are available).

- state control of the slaughtering fee that AFA can charge has made AFA immensely unprofitable.

  . The cost of a kilo of beef to the final consumer in Antananarivo rose 400 % from 1974-1986 (from Fmg 200 to Fmg 800) while the state-controlled slaughtering fee was only increased 45 % (from Fmg 1350/steer to Fmg 1956/steer).
  . AFA's prix de revient per steer slaughtered amounted to Fmg 4979/steer slaughtered, and Fmg 1400/pig slaughtered, far greater than the State-controlled fee that it receives of Fmg 1956 and Fmg 974 for each steer and pig slaughtered respectively.
  . Cumulative losses amounted to Fmg 1255 million at year end 1985 (the last year for which complete financial information is available) reflecting steady operating losses (exceeding Fmg 80 million in each of the last 3 years).

- AFA's cost structure can be more competitive when it operates at higher capacity levels but the slaughtering fee must be increased for it to be profitable.

  . AFA' 1986 "prix de revient" per steer slaughtered would have dropped to Fmg 1745.1/steer and Fmg 490.5/pig if it had slaughtered 90,000 steer and 60,000 pigs (i.e. the annual consumption level of Antananarivo). At this capacity level, AFA would have still lost Fmg 426 on each steer slaughtered, but made Fmg 206 on each pig, as as indicated in the following page :

AFA COST STRUCTURE

	Actual a)	Projected b)
Fixed Costs	116.8 million	116.8 million
Variable Costs	57.1 million	174.7 million
Total	173.9 million	291.5 million
Prix de revient/kilo	15.56	8.53
Prix de reveint/steer (320 kg)	4979	2729
Fee received per slaughter	1956	1956
Operating gain (loss)	(3023)	(773)
Prix de revient/pig (90 kg)	1400	768
Fee received per slaughter	974	974
Operating gain (loss)	42[illegible]	206

a) 1986 operating level : 34546 steer and 912 pigs.
b) Antananarivo consumption level : 90000 steer and 60000 pigs.

Source : Coopers & Lybrand.

4. ORGANIZATIONAL/ADMINISTRATIVE ISSUES

- AFA's organizational form, EPIC, hinders its performance

AFA operates under the tutelle of two ministries, MPAEF and the Ministry of Finance. A commissioner of the Government controls all financial discussions and reports directly to the Ministry of Finance while the Directeur General is responsible primarily for technical decisions (the DG does not even have the right to sign a check on AFA's account). This division of responsibility has resulted in an organization that cannot make rational and quick decisions. It has also resulted in an unnecessarily large organizational structure as the Administrative and Financial division duplicates many of the functions performed by the Accounting Division.

IMPLICATIONS FOR DIVESTITURE ACTION

i) ACTION NECESSARY

The European Development Fund has committed itself to taking the actions necessary to rehabilitate AFA and make it an export-quality slaughterhouse. It has financed a detailed study which proposes two options for the restructuring of AFA once the rehabilitation is complete. These options are :

1) - Modification of the legal status of AFA from EPIC to a Societe d'Etat;
   - Rental of the new organization's assets to another enterprise.

2) - Creation of a new SEM to take over the assets of AFA and certain of its obligations. The capital of this new SEM would be divided as follows : local meat expert (55 %) and the State (45 %).
   - All remaining debts would be absorbed by the State.

We believe that option two is a viable long-term solution to AFA's present condition but with the recommendation that the private ownership participation be split between a local (35 %) and foreign meat expert (20 %). AFA's long-term success will be dependant on its increasing its exports as a percentage of total sales because we do not believe that existing competition can be completely erased. Thus knowledge of foreign markets will be needed.

Before the restructuring recommended above can be successfully implemented, however, the following pre-conditions must be met :

- The State must try to close the most unsanitary of the clandestine slaughterhouses as AFA cannot be a viable economic entity, while providing only a third of Antananarivo's beef needs;

- The State must allow AFA to increase the slaughtering fee it charges its clients to, at least, the level of its prix de revient.

By enlarging its "real" market and liberalising its pricing, the State can start to make AFA a much more attractive investment to private investors, while the FED rehabilitation is in course.

ii) POTENTIAL FOR IMMEDIATE ACTION

We do not believe there is any potential for immediate divestiture action within the context of this study before the completion of the FED rehabilitation program.

ENTERPRISE NAME:	Societe d'Exploitation du Complexe Industriel et Agricole de Morondava (SECIAM)
LOCATION:	Morondava (Siege Sociale in Antananarivo)
LEGAL STATUS:	Societe Anonyme
SHAREHOLDING:	51% State 48% Societe Rochefortaise 1% Private Investors
ACTIVITIES:	Not in operation since 1984. Activities when in operation consist of the purchase and slaughter of steers, and the processing of meat products for export. By-products consisting of blood meal, beef meal, bone meal and tallow are sold within Madagascar.
STAFF:	100
ORGANISATION CHART :	See following page

KEY FINANCIAL INDICATORS
(in Fmg millions)

	1984 1)	1985	1986
Sales/Ventes	1045.1	N.A. 2)	N.A.
Profit from operations/ Resultat d'exploitation 3)	(993.3)	N.A.	N.A.
Net Profit/Resultat Net	(1441.3)	N.A.	N.A.
Cash Flow from operations/ Marge brut d'autofinancement	(1400.4)	N.A.	N.A.
Total assets/Total actif	1115.9	N.A.	N.A.
Total endebtedness/Dettes totales	4360.6	N.A.	N.A.
Net equity/Situation Nette	(3244.7)	N.A.	N.A.
Profits from operations/sales Resultat d'exploitation/ventes	(95%)	N.A.	N.A.
Profit from operations/total assets Resultat d'exploitation/actif	(89%)	N.A.	N.A.
Debt/Equity Dettes/Situation Nette	No equity	N.A.	N.A.

1) Figures abstracted from reconstruction of SECIAM's accounts by BMB Management Consulting for Development bv of the Netherlands. No financial statements have been prepared internally by SECIAM since 1977.

2) N.A. equals Not Available.
3) After depreciation before interest costs.

RECOMMENDATIONS : POSTPONE FURTHER ACTION

A. EVALUATION OF PERFORMANCE IMPROVEMENT POTENTIAL

CONCLUSIONS

It appears that SECIAM has very limited potential for near-term performance improvement as it has been beset by major problems since the start of operations and has operated in only one year (1984) since 1980. The key constraints that it faces include structural/technical constraints which are inherently difficult to overcome. These are:

- its Morondava location which is more than 340 kilometres from the major purchasing sites of Toliara and Bekily and approximately 400 kilometres from Antananarivo, the major consumer of by-products as well as supplier of technical assistance;

- poor port facilities at Morondava which prevent efficient loading of its export products;

- the hygienic inadequacy of the slaughterhouse for producing meat products exportable to Europe;

- poor financial position inhibiting ability to obtain credit for the purchase of steers;

- high energy costs;

- lack of an accounting system.

The limited potential that SECIAM has depends on :

- the successful implementation of a planned European Development Fund rehabilitation programme which has not yet started and is already 18 months behind schedule;

- the exploitation of a new, potentially profitable market for its beef, possibly in the Indian Ocean islands of Mauritius, Reunion, Comores and the Seychelles.

1. Market Issues

The historically major market for SECIAM, Europe, has effectively been closed since 1985.

SECIAM's slaughterhouse is unable to meet the hygeine standards of the European Community. There has been a huge oversupply of beef in Europe in recent years, amounting to 785,000 tonnes in 1985. SECIAM's European clients have manipulated prices in their favour by claiming non-satisfaction with quality (in 1985 SECIAM received only 55 % of the contractually-agreed price from its sole export client, Alexander Mochel-Buchoe of West Germany.)

There appears to be some market potential in the Indian Ocean region as evidenced by the following table.

Market for Beef in the Indian Ocean Region 1984

Country	Consumption (tonnes)	Production (tonnes)	Imports (tonnes)
Reunion	4557.2	1120.0	3437.0
Comores (a)	1230.0	80.0	1150.0
Mauritius	5956.0	1.0	5955.0
Seychelles	430.9	41.2	389.7

(a) reflects 1985 figures.

Source : Etude des Echanges Commerciaux en Viande Bovine dans le Cadre de l'Ocean Indien, S.E.R.D.I.

It should be emphasised however that these figures do not establish the competitiveness of Madagascan beef in these potential markets.

2. Financial Issues

SECIAM is technically insolvent

Total debt amounted to Fmg 4.4 billion against assets of Fmg 1.1 billion at year-end 1984.

SECIAM's sales have historically covered only a portion of operating costs

In 1984, SECIAM's cost of steers alone (Fmg 2038.4 million) amounted to twice the level of sales (Fmg 1045.1 million). On average, SECIAM's cost of steers exceeded sales by Fmg 100 million over the period 1977-1984.

Credit historically has not been available to SECIAM when most needed, thus inflating operating costs.

Operating profitability is dependent upon having credit available early in the purchasing season. This permits the buyer to (a) take advantage of the lower price of steers early in the year. (b) ensure a smooth orderly increase in the price level rather than the sharp increases that result from a sudden large order late in the buying season, and (c) herd the steers at a climatically favourable time of year when grass is plentiful. SECIAM has never obtained credit at the optimum buying time in December (just before the buying season starts), because the banks require at least a preliminary balance for the year with any request for credit. As SECIAM's fiscal year ends on December 31, they are never able to make a proper demand for credit before the end of January of the following year. In 1984, lack of credit prevented SECIAM from operating the slaughterhouse until July 14.

Interest costs are excessively high.

In 1984 interest costs amounted to Fmg 304 million or 29 % of sales. Much of this is attributable to overdraft facilities of Fmg 2114.5 million at year-end 1984 which accrued interest at the rate of 22 % per annum.

Energy costs are excessively high.

SECIAM is not able to use the local energy supply because it is not sufficiently powerful to meet its needs. It has thus been forced to install its own generators. SECIAM incurred approximately Fmg 47 million in energy costs per month in 1984, 4 times that of a similar sized slaughterhouse (FAFIFAMA) in Mahajanga.

SECIAM requires large state subsidies

Despite substantial bank overdrafts, SECIAM still required Fmg 253 million in state subsidies in 1984.

3. Technical Issues

The location of the slaughterhouse is a serious handicap

The major steer producing zones of Toliara and Bekily are far from Morondava, thus requiring steers to be herded at least 340 kilometres and up to 700 kilometres over difficult terrain. This results in a considerable loss of weight (average weight loss per head of steer amounted to 20.1 % of initial weight in 1984).

The two months that it takes to herd the steers to Morondava and the three rainy months of October-December when steers are not herded (due to impassable roads and health risks), effectively reduces the slaughtering period to only 7 months.

The only financial statement prepared regularly by SECIAM is a bi-monthly statement showing the utilisation of credit provided by BTM.

5. Other Issues

SECIAM has significant contingent liabilities

Spare parts with a value of FF 1.8 million have been blocked at Ivato Airport since 1984 due to SECIAM's inability to reimburse the Central Bank. Substantial customs duties and storage fees, (the latter accumulating at the rate of Fmg 10 per kilogramme per day), are due on these goods.

B. IMPLICATIONS FOR DIVESTITURE ACTION

1. ACTION NECESSARY

The European Development Fund has committed itself to taking the actions necessary to rehabilitate SECIAM and make it an export quality slaughterhouse. It has financed a detailed study which proposes three options for the restructuring of SECIAM once the rehabilitation is complete. These three options are :

- Creation of a new SEM to take over the assets of SECIAM. The capital of this new SEM would be divided as follows : foreign meat expert (55 %), State (45 %). All debts would be paid off by the State and would be considered subsidies. All assets would be sold to the new SEM.

- Same as first option except that the capital of the new SEM would be divided as follows : foreign meat expert (40 %), local meat expert (20 %) and the State (20 %).

- Creation of a new SA, all existing debts being absorbed by the State. Rental of assets of SECIAM to the new SA.

However, should the EDF rehabilitation programme not proceed as planned, we recommend that SECIAM be dissolved and the assets sold to private investors at whatever price the market will bear. The substantial structural/technical constraints that face SECIAM, as well as the important market, financial and organisational constraints that exist, indicate that it is not a viable economic entity. Sale of the assets to investors would free the State from a potentially long-term drain on its resoures while creating the potential for the formation of a new slaughterhouse by the economically-motivated buyers of SECIAM's assets.

2. POTENTIAL FOR IMMEDIATE ACTION

We do not believe that there is any potential for immediate action within the context of this study as long as the European Development Fund and the Government of Madagascar remain committed to SECIAM's rehabilitation

ENTERPRISE NAME	Societe de Pecherie du Boina (SOFEBO)
LOCATION:	Mahajanga
LEGAL STATUS:	Societe Anonyme
SHAREHOLDING:	State 50.971% Private investor 007% SOMAPECHE/Taiyo Gyogyo 49.008% BTM .014%
ACTIVITIES:	Shrimp fishing in the teritorial waters of Madagascar. Virtually 100%
STAFF:	500
ORGANISATION:	see following page.

KEY FINANCIAL INDICATORS

in millions of FMG

YEAR ENDED (MONTH & DATE)...		1984	1985	1986
Sales	Ventes	3193	3557	5752
Profit from Operations	Resultat d'exloitation (1)	1314	839	1913
Net Profit	Resultat net	NA	591	915
Cash Flow from operations	Marge brut d'autofi-nancement	NA	939	1585
Total assets	Total actif	5930	8956	NA
Total endebted-ness	Dettes totales	4515	7031	NA
Net equity	Situation nette	1515	1836	2616
Profit from operations/ sales %	Resultat d'exploi-tation/ventes %	41.1	23.6	33.2
Profit from operations/ Total assets	Resultat d'exploi-tation/actif %	22.2	9.3	NA
Debt/Equity %	Dettes/Situation nette	2.9:1	3.8:1	NA

(1) Apres amortissement avant Frais Financiers

RECOMMENDATIONS: POSTPONE ACTION

B. EVALUATION OF PERFORMANCE IMPROVEMENT POTENTIAL CONCLUSIONS:

SOPEBO has limited potential to improve its performance, in the near term as it is already a strong, well-managed, partially privatised company, that has a large degree of autonomy despite 51% State ownership. The key factors in its success to date have been:

- the private participation of the Japanese Group Taiyo Gyogyo, who purchases virtually 100% of SOPEBO'S catch and assures all of its financing needs.

- the rising price of shrimp in the international market.

- the presence of foreign experts (Japanese) in the key management positions.

Constraints which could hinder SOPEBO's future performance are:

- quotas imposed on SOPEBO by MPAEP which limits its potential catch.

- the inaccessibility of foreign e change with which to buy capital equipment and parts.

- the large devaluation of the Fmg vis-a-vis the Yen, in the past year, which increases SOPEBO's debt servicing costs.

and

- potential organisational difficulties when the accord between the State and Group Taiyo expires in 1992.

1. Market Issues

. The market for SOPEBO's product is assured by Taiyo

- An accord signed between the State and the joint group SOMAPECHE/TAIYO, holder of 49% of the stock of SOPEBO, on 10.19.82 states that TAIYO will purchase all of SOPEBO's production and be responsible for its transport to Japan.

. Shrimp prices increased substantially during the past year

- SOPEBO's selling price for 1 kilo of shrimp increased from Fmg 333/Kg in 1985 to Fmg 480/Kg in 1986, a 44% increase. SOPEBO's receives the world market price for its shrimp.

. Supply availability could eventually pose a problem due to tight government control of the fishing territories.

- Government regulations place quotas on the annual shrimp catch in each of the 10 fishing zones off the west coast of Madagascar, in order to safeguard the level of the stocks. SOPEBO and SOMAPECHE (66% proved by Taiyo) fish 5 zones, whose total annual potential catch is 2300 tons. (There is another 1000 tons of potential catch in an "open" zone of the south-west coast of the country).

. SOPEBO is actively exploring ways to expand its market

- MPAEF has recently agreed to SOPEBO's request to fish for lobster on an experimental basis and SOPEBO is currently studying the financial feasibility of the project). By diversifying its production the company hopes to circumvent the upper limit that is currently imposed on it by the quota system.

2. Technical Issues

. SOPEBO's technical needs are assumed by Taiyo

- Per the accord of 10.19.82 between the State and the joint group SOMAPECHE/TAIYO, Taiyo agreed to finance and provide all of the equipment necessary to renew or replace SOPEBO's fleet of fishing boats. Since then, the rehabilitation of the fleet has proceeded as scheduled, with 10 of the 12 original boats already having been replaced by new ones.

. Maintenance of the fleet is a potentially important problem area

- SOPEBO management estimates that the life of their fishing boats is only 15 years in Madagascar, as compared to 25 years in Japan. Management attributes this to the inavailability of spare parts and the inexperience of local new members.

. SOPEBO has significant technology transfer obligations

Per the accord of 10.19.82, SOPEBO is required to replace 30 of its Japanese technicians with Malagasy by 1992. This entails training periods in Japan of up to 1 year for the Malagasy replacements.

. Modernisation of the fishing fleet could be a significant problem area

- Under the current law, the number and type of boats that SOPEBO can use in each fishing zone is tightly controlled. When a boat becomes inoperational, it can only be replaced by an identical boat. No fishing company is allowed to add a boat to its fleet as the existing fleet are considered the appropriate size for the potential catch available.

3. Financial Issues

. SOPEBO has been an increasingly profitable operation since 1982.

- Operating profits reached Fmg 1.9 billion in 1986, an all-time high and 23 times the level of 1983 operating profits.

. SOPEBO has large foreign exchange requirements.

As most of its supplies, technical assistance, and equipment comes from Japan, SOPEBO has large foreign exchange needs that are often not filled on a timely basis.

. Currency fluctuation against the Yen poses a risk.

- SOPEBO's debt obligation corresponding to the replacement of its fishing fleet is denominated entirely in Yen (as the financing was provided by TAIYO). This has been costly to the company in recent years as the Fmg devalued 372% against the Japanese Yen from 1981-1986. This is mitigated to some extent by the fact that SOPEBO's sales receipts are denominated in Yen as well.

. All of SOPEBO's financing needs are assured by Taiyo.

- Per the accord of 10.19.82 between the State and the joint group SOMAPECHE/TAIYO, Taiyo agreed to provide all of SOPEBO's financing needs for the replacement of its fleet, at preferential rates. SOPEBO receives no subsidies from the State and has no debts outstanding to the State.

4. Organisational/Administrative Issues

. Key management positions are staffed by Japanese giving the company substantial industry expertise.

- Three of the top four positions in the company including the Director General position are staffed by Japanese from Group Taiyo.

. SOPEBO has considerable organisational autonomy.

- There is only one representative of the State on its Conseil d'Administration, and he is not the president.

- As a self-managed, self-financed, Societe Anonyme, SOPEBO is required to present its financial statements only to shareholders and not to MPAEF.

- SOPEBO historically has presented very limited financial information in its annual report, reflecting of the closely held nature of the company.

5. Other Issues

. SOPEBO is a major foreign exchange earner for Madagascar.

- Foreign exchange earnings amounted to the equivalent of Fmg 5.7 billion in 1986, 99% of total sales.

C IMPLICATIONS FOR DIVESTITURE ACTION

i) ACTION NECESSARY

As SOPEBO is an autonomous well-managed, profitable company, there is little action that needs to be taken to improve its performance in the short-term. The major obstacles that it faces are macro-economic ones (i.e foreign exchange movements/regulations and government conservation policies), which cannot be addressed and overcome with specific divestiture actions. Management has however expressed an interest in having the State sell its shares to BTM (currently a holder of .0147 of SOPEBO's shares). As the BTM could be a useful

partner for SOPEBO in confronting some of the financial constraints that it faces, it is recommended that the State sell its interest in SOPEBO to BTM.

ii) POTENTIAL FOR IMMEDIATE ACTION

We do not believe there is any need for immediate divestiture action within the context of this study.

A. Enterprise Data Sheet

Name: SOMAPALM (Societe Malagasy pour le Palmier a l'Huile)

Location: Toamasina

Legal Status: Societe d'Economic Mixte

Shareholding: 100% State (20% BTM)

Activities: Operation of (1) an oil palm plantation (2) a palm oil extraction facility and (3) a palm oil refinery including sale of refined product; (4) management under contract of an oil palm plantation (Manakara) owned by the the State.

IVONDRO
(Plantation: Oil Extraction)

KEY FINANCIAL INDICATORS

in millions of FMG

YEAR ENDED (MONTH & DATE)...	1984 30/09	1985 30/09	1986 31/13 (=15 mois)
Sales	322	632	487
Profit from Operations	(50)	117	(212)
Net Profit	(55)	123	(194)
Cash Flow from operations	28	234	(20)
Total assets	946	1375	2432
Total endebted-ness	(1133)	(1162)	(2441)
Net equity	(187)	213	(9)
Profit from operations/ sales %	(15%)	19%	(43%)
Profit from operations/ Total assets	(6%)	9%	(8%)
Debt/Equity%	--	5:1	--

(1) Apres amortissement avant Frais Financiers

(2) After depreciation before financial changes.

Refinery

KEY FINANCIAL INDICATORS

in millions of FMG

YEAR ENDED (MONTH & DATE)...	1984 30/09	1985 30/09	1986 31/13 (=15 mois)
Sales		15	3314
Profit from Operations	(34)	(41)	2227
Net Profit	(120)	(452)	1494
Cash Flow from operations	(113)	(441)	1527
Total assets	4406	4686	7815
Total endebted-ness	(3652)	(4383)	(6017)
Net equity	(754)	303	1798
Profit from operations/ sales %	00	(273%)	67%
Profit from operations/ Total assets	(0.7%)	(0.9%)	28%
Debt/Equity%	4.8:1	14.5:1	3:1

(1) Apres amortissement avant Frais Financiers

(2) After depreciation before financial changes.

B. Evaluation of Performance Improvement Potential

1. Decision:

Drop SOMAPALM as a priority candidate for Phase II action privatisation activity. Modify this recommendation with regard to the refinery alone if a secure long term contract for a supply of crude oil in economic quantities and prices can be obtained.

2. Conclusions:

SOMAPALM was conceived as an integrated plantation-crude oil extraction-refining complex. The enterprise has potential to improve performance, but this potential is probably more significant at some stages of SOMAPALM operations (e.g. refining, which has shown its potential profitability - 1986) than at others (e.g. plantation). Achievement of potential would in any event depend upon easing of certain critical constraints, notably:

o Refinery

- establishment of a secure long term, commercial source of crude oil since the refinery is outsized (9000T/year) compared to the maximum production capacity of the Ivondro plantation (2500T/year);

- a financial restructuring of the refinery, which is crushed by a debt burden arising from the original supplier credit purchase of equipment.

o Extraction Unit

- addition of certain equipment (press for crushing palm kernels, clarification unit for treating effluents) which would raise yields;

- improvement of existing plant (e.g. water intake system) spare parts stock) to raise efficiency.

o Plantation

- re-establishment of production after the severe damage suffered by oil palms in Cyclone Honorine (March 1986);

- increase plantation yields which are in any event limited by the relatively unfavourable ecological conditions of the plantation compared to other palm oil producer countries.

Within the overall SOMAPALM operation, greatest priority should probably be accorded to strengthening refinery and plantation performance. However, as key determinants of enterprise performance are structural and biological (cyclone damage) it is likely that privatisation/divestiture opportunities would emerge only in the medium term.

3. Analysis:

3.1 Market Issues: SOMAPALM faces a substantial, growing and underserved market for refined oil.

o There is considerable market potential for expanding supply of refined edible oils in Madagascar. While edible oil is considered a basic necessity ("produit de premiere necessite") in GDRM policy, there has been a persistent shortfall of available supply on the domestic market. This shortfall is estimated at 16,500 MT for 1986.

Year	Local Production	Imports	Total	Total (a) Requirement	Shortfall
1976	5.8	7.0	12.8	6.1	6.7
1981	2.7	10.2	12.9	22.5	9.6
1986	2.6	6.6	9.2	25.7	16.5

a) Assumes basic WHO nutritional standard of 2.5kg/edible oil per person.

Source: P.M. Robinson Composition of PL 480 Title I commodities 1987-1991 (USAID/Madagascar) February 1987.

With projected population growth, market potential is likely to rise to nearly 30,000 MT/year by 1990.

o Prices in this market are controlled by means of interministerial decrees, reportedly based on an analysis of producer costs and distributor margins. Recent (April 20, 198) Ministerial decree setting wholesale and retail margins for edible oils had the effect of boosting the official retail price to Fmg 1925/litre. However, reflecting current demand, in the parallel retail market edible oil prices are reported to be at Fmg 3000/kg.

o Given the legal/administrative environment, SOMAPALM can have <u>no commercial policy</u> per se. Its prices are controlled by interministerial decree (presently Fmg 1215.80 per litre ex factory without cost of packing) and it is also told to whom it must sell. These clients - the various state-owned trading corporations (SOMACODIS, SICE, COROI, ROSO, SINPA) - are designated by the Ministry of Commerce. As a result SOMAPALM's organisation neither includes nor requires a "Marketing and Sales" division.*

Nevertheless, despite this controlled operating environment SOMAPALM's refinery appears to have made a profit in 1986, its first year of refining operations. (It is notable that SOMAPALM's ex-factory price is nearly 5 times the current world price of refined bleached deodorised palm oil).

o Since SOMAPALM's plantation and extraction unit are designed to serve the enterprise's refinery, there is <u>no independent oil palm/crude oil market</u> for those segments of SOMAPALM's operations. However, in the past the extraction unit sold some crude palm oil to soapmakers in cases where the acidity content of production was too high (over 5%) to efficiently refine. These sales should be seen as an anomaly however.

o SOMAPALM's only significant by product at present is soapstock ("pate savonneuse"), a result of the neutralization stage of the refining operation. Potential demand exists for this product in the soap industry, but this is constrained by soapmakers' inability to obtain other complementary inputs (e.g. imported caustic soda) for soap manufacture. In 1986 soapstock accounted for about 8% of SOMAPALM sales revenues.

---

* It is unclear whether SOMAPALM in fact has effected some sales as a wholesaler in the Tamatave area, although in theory it is not explicitly authorised to do so.

3.2 Technical Issues: Several technical problems influence SOMAPALM's potential for improved performance.

Refinery

o Most critical is the oversized capacity of the SOMAPALM refinery compared to presently available supply of crude oil. SOMAPALM's refinery has rated input capacity of 9000 MT/year, while the enterprise's Ivondro Plantation has a production potential of only about 11000T-12000T of palm fruit ("regime") per year. At its present extraction rates, this input amount to about 2000 - 2200 MT of crude oil per year. The Manakara oil palm plantation (managed by SOMAPALM for MPARA since October 1984) represents another 200MT-300MT of crude oil but is too far away to be an accessible supply for the refinery. No other crude oil supply is immediately available in Madagascar.** Consequently, SOMAPALM is dependent upon imported crude oil to function. Its production program for 1986 and projected program for 1987 are founded on imported PL480 soya oil, gifted by the US government:

	1986 (actual)		1987 (projected)	
	Input	Production	Input	Production
palm oil (Ivondro)	550.5	395.0	380	351.5
soya oil (PL 480)	3128.0	2,892.0	5620	5198.5
other imports	--	--	1000	925.0
Total (% Capacity)	3678.5 (40.9%)	3,287.0	7000 (77.8%)	6475.0

Source SOMAPALM

** Development of a coconut crude oil extraction facility at SOAVOANIO could add other 3000 MT supply within three to four years.

While useful in the short term, the supply of PL 480 crude oil cannot be considered a stable long term basis of a commercial operation.***

- o SOMAPALM has suffered from certain technical refining problems, notably an increase in the normal proportions of fluide oil (oleine) and solid oil (stearine) expected from the fractionation process:

Processed outputs

	Normal	SOMAPALM
oleine	60%	40%
stearine	40%	60%

SOMAPALM's management believes this problem may have been caused by equipment defects, or by faulty plant layout (fractionation unit and refining unit too close to each other), but that a solution has recently been identified. In any event since the fluid product is the preferred (and higher priced) output, achievement of the proper proportions is important for future SOMAPALM performance.

- o Certain finishing process equipment purchased in the original refinery package from the supplier CMB has never been in working order. This equipment includes the margarine maker and the plastic bottle maker. This equipment may be non functional because it sat on the dock for two years before installation.

Melville Extraction Unit

- o The Melville extraction complex is in good condition having recently been rehabilitated using FED/STABEX financing (ECU 750,000). This assistance permitted overhaul of the facility and purchase of vehicles and chemical stocks. However, additional plant development is required, notably to

  - increase the inventory of spare parts;

  - upgrade the water intake system to avoid further damage to the unit's boiler from water with heavy iron content and suspended solids.

*** Even more so as allocations of the PL-480 supply are controlled by the GDRM. Thus, in 1986, on an initial PL-480 allocation of 3729 MT received, SOMAPLAN was required to deliver 600 MT to another user SEIM.

This improvement could run to Fmg 250,000 over five years.

- With technical assistance, the Melville unit has improved extraction rates substantially through equipment and work process adjustment. Potential for further improvement exists through

  - addition of a palm kernel crushing unit which would increase the crude oil extraction rate by one percent or more;

  - installation of a centrifuge to remove crude oil from extraction unit effluents, which would further raise the extraction rate by another 2%-4%.

  These improvements would cost approximately Fmg 580,000. Funds are likely to become available under the Vth FED loan (Ecu 1.6 million) to finance some of these activities and assist in plantation renewal.

Ivondro Plantation

- Damage from Cyclone Honorine (March 1986) has meant a major setback for the SOMAPALM plantation, which had been under redevelopment with FED aid. High winds killed about 12% of oil palms and destroyed blossoms and existing fruit with the result that rather than a potential production of 10,000 MT fruit (1800 MT crude oil) 1987 output is likely to be about 3000 MT (540 MT crude oil). This damage will persist for several years.

- The Ivondro plantation was established early in 1969. Some of its stands are now reaching replantation age as the oil palms have reached heights that make harvesting no longer feasible. A total of 894 ha should technically be replanted over the next 12 years to enhance plantation productivity. Given cyclone damage and the need to replant, SOMAPALM projects that 1985 production levels (7200 MT fruit) will not be attained again until 1995.

- Fundamentally, the Ivondro plantation does not have the technical production potential of other palm oil producer countries. Due to relatively extreme temperature drops at certain times of the year, maximum crude oil yields for Ivondro can probably only attain 2.3MT/ha, whereas in Malaysia yields reach 4MT-5MT/ha.

3.3 Financial Issues: SOMAPALM's financial situation is precarious.

- The enterprise is heavily burdened by debt arising from non-payment of the supplier's credit which financed construction of the refinery. Delays in bringing the refinery into production between 1982 and 1985 meant that SOMAPALM's total endebtedness rose steadily into the mid 1980's, and financial changes mounted.

	1981	1983	1985	1986
	----------Fmg million----------			
net equity	854	722	516	1789
net equity + liabilities	2716	3010	6002	9174
(%)	(31%)	(24%)	(9%)	(20%)
financial charges	4	39	412	733
sales	177	350	617	3801
(%)	(2.3%)	(11.1%)	(66.7%)	(19.3%)

Source: Calculated from SOMAPALM financial data

Even though the refinery's entry into production in 1986 improved SOMAPALM's situation, the enterprise is still on dangerous ground.

- Non payment of loans associated with the refinery has steadily increased the short term portion of SOMAPALM's debt. At the end of 1986 short-term debt amounted to Fmg 5.1 billion, or 56% of total liabilities and net equity. With short term assets of only Fmg 2.6 billion, the enterprise had negative working capital of Fmg 2.5 billion.

- For the refinery alone, a financial rehabilitation is under discussion. The parameters of this rehabilitation are being set out by the Association Professional des Banques and will reportedly be made public in mid 1987. They are likely to involve, at a minimum, consolidation of short term debt (unpaid supplier's credit) into medium to long term loans, and conversion of some advances from government into equity. A preliminary study of the refinery's financial problems in early 1986 suggests that the refinery can be a viable producer for the domestic market, aided in part by a relatively low breakeven point (41% of capacity).

- For the Ivondro plantation-oil press complex, a series of losses throughout the 1980's (all years but 1985) have erased the unit's capital base so that at the end of 1986 it had negative net equity of an estimated Fmg 625 million and negative net working capital of an estimated Fmg 521 million. The persistent effect of the cyclone damage of 1986 is likely to create additional negative impacts on financial performance for Ivondro.

- The fundamental competitiveness of the SOMAPALM operation deserves analysis.

3.4 COMPETITIVE ADVANTAGE ANALYSIS FOR REFINED PALM OIL PRODUCTION AT CURRENT AND 1992 PRODUCTION LEVELS

(a) Derivation

	Per Tonne/ Current production levels Present Exchange Rate		Per Tonne/ 1992 Production Levels Present Exchange Rate	
	Fmg/'000	US$1 - Fmg 830	Fmg/'000	US$ - Fmg 830
Plantation	210.21	253.27	76.47	92.13
Extensions	158.54	191.01	71.08	85.64
Transport	20.00	24.09	20.00	24.09
Refining	200.00	240.96	200.00	240.96
Transport Storage/Loading	26.62	31.40	26.62	31.40
FOB Tamatave	615.37	741.41	394.17	474.90
World Price RBD Oil (1987 Price	232.40	280.00	448.20	540.00
Competitive Advantage	(382.97)	(461.41)	54.03	65.10

Therefore, at current production levels, SOMAPALM has no competitive advantage in the production and refining of palm oil assuming that 1,046 ha produce 1,046 tonnes of crude palm oil. The minimum exchange rate for competitive advantage cannot be calculated as the foreign exchange component is higher than the world market price. Therefore, at current production levels, SOMAPALM can never be competitive in the world market.

At 1992 production levels, assuming 1,250 ha produce 3,500 tonnes of crude oil, SOMAPALM will have a competitive advantage in the production and refining of palm oil when compared to World Bank price productions adjusted to 1987 constant dollar terms.

(b) Calculations

	1046 ha 1046T Crude Oil Present Production			1250 ha 3500T Crude Oil Full Production		
	Local	Forex	Total	Local	Forex	Total
1. Plantation						
General	32.04	6.76	38.80	9.58	2.02	11.60
Roads	22.76	17.54	40.30	8.13	6.26	14.39
Management	50.96	24.93	75.89	18.20	8.90	27.10
Harvesting	43.07	12.15	55.22	18.24	5.14	23.38
2. Extension	47.63	110.91	158.54	21.35	49.73	71.08
	196.46	172.29	368.75	75.50	72.05	147.55
3. Transport to Refinery	4.00	16.00	20.00	4.00	16.00	20.00
4. Refining (50% capacity (including drums)	-	-	-	100.00	100.00	200.00
5. Transport to Tamatave	4.00	16.00	20.00	4.00	16.00	20.00
6. Storage on quayside	1.62	-	1.62	1.62	-	1.62
7. Loading on board	2.50	2.50	5.00	2.50	2.50	5.00
FOB Tamatave RED Oil/Fmg	308.58	306.79	615.37	187.62	206.55	394.17
/US$	371.78	369.63	741.41	226.05	248.86	474.90

3.5 Organisational/Administrative Issues. Several of SOMAPALM's financial statements have not yet been approved by its Conseil d'Administration. Balance sheets dating from the early 1980's are to be submitted for approval in 1987. Its 1986 balance sheet and related statements were to be audited in early 1986 to serve as the basis for the proposed refinery financial rehabilitation plan.

3.6 Other Issues: SOMAPALM manages the MPARA oil palm plantation at Manakara. Its management contract began in October 1984 and will end in late 1987, with the possibility of renewal. SOMAPALM's performance in operating the plantation has been successful, leading to more than a doubling of production.

B. Implications for Divestiture Action

1. Action Necessary:

Given SOMAPALM's lack of an assured supply of raw material to run its refinery and its current financial weaknesses, the enterprise is an unlikely candidate for divestiture.

2. Potential for Immediate Action:

None.

Name	Ferme D'Etat Sericicole De La Sakay "FESSA"
Location	Approximately 25 kms west of Ampefy
Legal Status	Ferme d'Etat
Shareholding	State 100 %
Activity	- Sericulture, silkspinning, weaving and marketing - Extension services
Staff	12 + 25/30 seasonal

Key financial indicators: (Fmg millions)

June 30 ---	1982	1984	1985	1986
Sales	20.1			8.7
Operating profit/(loss)	(2.7)			0.3(1)
Net profit/(loss)	(2.7)	NOT		0.3)
Cash flow from operations				1.6
Total assets		AVAILABLE		
Total debts				
Net equity				
Operating profit/sales				3.4
Operating profit/total assets				
Total debts/net equity				

(1) After crediting Fmg 2.2 million in respect of extension services (22,000 Mulberry, cuttings distributed to peasants free-of-charge)

Decision : Postpone Action

Conclusions:

Such information as we were able to obtain appears to indicate that, with new investment, FESSA might be rehabilitated as a commercially viable undertaking. While nothing would be lost by establishing or re-establishing contacts with local as well as Japanese industry experts and investors with a view to their participation as private-sector operators, given the small size of this operation and the paucity of available data and information we have postponed further study at this stage.

- Comprising a mix of commercial and non-commercial (extension) activities, FESSA has been living off its own, dwindling resources for the past several years.

- Investment is needed for the rehabilitation of FESSA's existing installations as well as to fund operations which could potentially produce 15 tons of cocoons and process 1.5 tons of silk thread annually; and up to almost twice that much with investment in additional installations.

- Japanese silk production experts who visited and helped FESSA in past years are reported to have indicated interest in some form of participation apparently as private investors.

- FESSA might represent an attractive investment to a Malagasy silk trader who would require a potentially commercially attractive, domestic source of silk.

As an alternative FESSA's 200 hectares of land and/or 2400 square meters of buildings might be sold outright or leased for farming or other activities at the operator's discretion.

Market issues

- With 12 employees in all, FESSA seems to be thinly spread to be effective in all the areas in which it appears to be trying to operate.

  - Besides actually raising silkworm cocoons, we understand that FESSA subcontracts spinning and weaving and markets both as wholesaler as well as through its own retail outlet in Antananarivo.

- Burial shrouds represent an important traditional and potential local market for silk; but cotton, which costs considerably less, is an important competitor.

  - Estimated total domestic production of silk covers some 5% only of an estimated annual demand of 100,000 shrouds.
  - FESSA's current output represents 10-15% of domestic production but could be increased if warranted by an increased share of domestic demand.

- Relatively low labour costs should make locally produced silk competitive on export markets, where demand has been increasing.
  - The breeding, rearing and treatment of silkworms for the production of raw silk is highly labour intensive.
  - World demand is estimated to have risen by some 35-40% between 1970 and 1983.
  - As living standards and labour costs in traditional silk producing countries have risen these countries have sought alternative sources of supply for their raw silk. (Japan and South Korea are two such).

- But other low labour cost countries which have started producing silk in recent years may have a competitive edge.

  - China is the world's most important producer with 245,000 tons of cocoons, representing some 50% of world production, reported for 1983.

- Access to FESSA is very difficult because of the poor condition of the local road.

  - The last 25 kms from the nearest town (Ampefy) can take up to 3 hours in a 4-wheel drive vehicle.

Financial Issues

- Although very small, current operations are producing positive cash flows.

  - A positive cash flow of Fmg 1.6 million is shown in FESSA's accounts for the 12 months through June 30, 1986. (That flow represents a relatively healthy 18% of sales).

- But there is an immediate need of Fmg 30 million for urgent building maintenance repairs;

  - We gained the impression that buildings will collapse and production will decline further unless funding is forthcoming soon.

- And more funding of an as yet indeterminate amount will be needed for the repair of agricultural equipment, the installation of a reasonable access road, and working capital to expand operations. (The construction of a new road should be seen as a basic infrastructure project not ascribable directly to FESSA, since the benefits to the company would be unlikely to justify the investment).

Administrative Issues

- FESSA's financial statements are rudimentary.

  No Balance Sheet is presented, nor is there any analysis by activity which might help identify and distinguish potentially profitable activities from unprofitable ones.

Other Issues

- The Comite de Gestion has never met; the DG sees the Minister of tutelle at most once or twice a year and meets others at MPAEF, the cognizant ministry, very rarely.

- According to FESSA's Director Generale, MPAEF has not acknowledged recent correspondence and requests for help. This is interpreted as indicative of a lack of interest in the enterprise.

- The foregoing interpretation tends to be reinforced by the fact that, in the context of our study, MPAEF was unable to find any financial statements later than 1982.

Suitability for immediate action

Considerable additional fact gathering will be necessary before making an objective evaluation of options in regard to this rather small but relatively complex operation. Road conditions made it impossible to reach the enterprise on the day foreseen. In the circumstances and with other, more potentially interesting and/or important enterprises to study, it was decided to shelve further evaluation.

REDSO/ESA LIBRARY

PN-ABE-067

GOVERNMENT OF THE
DEMOCRATIC REPUBLIC OF MADAGASCAR

Agricultural Parastatal Enterprises
DIVESTITURE PLANNING AND MONITORING IMPROVEMENT PROGRAMME

PHASE I VOLUME III
Technical appendices

June 1987

in association with
Cabinet Rindra
Cabinet Ramaholimihaso

254

ERGO (AEC)
A37
8'76

REDSO/ESA LIBRARY

VOLUME III: TECHNICAL APPENDICES

This volume of the report contains the following Appendices.

A. Terms of Reference

B. Selection of the Primary List of Enterprises under MPARA/MPAEF Tutelle.

C. Stage II: Preliminary Evaluation of Enterprises
- Text
- Summary 2 page analytical data sheets on all 34 parastatal enterprises.

(Appendices D and E are contained in Volume II).

F. Monitoring System
- Text
- Case studies of : SOMALAC
  SOAMA
  FE OMBY

G. Specification of Training and Equipment Needs.

H. Etude des Aspects Juridiques (French language version).

I. Agricultural Sector Study
- Text
- Annexes (French language version).

J. Etude des Ressources Capitaux (French language version).

K. Study Team, Sources and Bibliography.

Appendix A

TERMS OF REFERENCE

The following document includes the full text of the agreement reached on 18 December 1986 between USAID and the GDRM, and which constitutes the Terms of Reference for both Phase I and Phase II of this assignment.

USAID MARS PROJECT : COMPONENT FOR PARASTATAL STUDIES AND MONITORING

The USAID Madagascar Agriculture Rehabilitation Support (MARS) project was initiated in April 1985, with the purpose to support Madagascar's agricultural liberalisation policies and rehabilitation of the agriculture sector. The project was amended to add additional funds (Amendment No 1) in June 1986. A design team is currently preparing the documentation for Amendment No 2, which USAID hopes to obligate one month after the GDRM receives the text. If possible, the signature will take place before the end of February 1987. The project is anticipated to continue through December 1988.

An important component of MARS Amendments No 1 and 2 concerns the agricultural parastatal subsector. This component is to be implemented in close collaboration with the World Bank and its Agricultural Institutions II Development Project; AID has agreed to support some of the activities concerning parastatals which were originally envisioned to be included in the Bank's project. Partial funding for AID's parastatal component is included in MARS Amendment No 1. Amendment No 2 will complete funding for the activity.

The parastatal component of the MARS project is divided into two phases. Phase I, which corresponds to Amendment No 1, is scheduled for January to August 1987; Phase II is scheduled for September 1987 to December 1988.

AID support will be implemented through AID's regional project for Parastatal Divestiture under contract with Coopers & Lybrand, which is managed from AID's regional office in Nairobi, and which encompasses initiatives in Eastern and Southern Africa. A Coopers & Lybrand consultant visited Madagascar in September 1986 in order to make preliminary contacts and propose activities to be undertaken by Coopers & Lybrand during the first phase of activity in Madagascar. Based on meetings USAID has had during the last three weeks with the DGP, MPARA and MPAEF, and the World Bank, USAID proposes that the specific activities which AID will fund over the next two years are as follows.

2. Objectives and Summary

The objectives of the parastatal component of MARS are :

To establish systems for monitoring parastatal performance with MPARA and MPAEF, thus strengthening the capacity within the ministries to collect and analyse information on parastatals in the agricultural sector;

To produce parastatal diagnostic studies and action plans for partial or complete divestiture for a group of parastatals selected jointly with the MPARA and MPAEF;

To produce a set of procedures (ie. a manual) for agricultural parastatal assessment and divestiture planning.

With these objectives in mind, two lines of activity will be undertaken in each ministry, more or less in parallel. These lines of activity are :

Establishment/improvement of parastatal monitoring systems;

Preparation of diagnostic studies and in-depth action plans for selected parastatals which MPARA and MPAEF are considering for whole or partial divestiture.

Detailed work plans will be developed jointly, as the activities proceed, through collaboration between the AID-funded consultants and representatives of the relevant government units.

3. Activity Description

(a) Monitoring Systems

Working closely with MPARA and MPAEF staff, AID consultants will take the necessary steps to establish and/or strengthen standardised systems of financial reporting and performance monitoring for parastatal enterprises, including :

(1) Data collection on the enterprises under the administrative supervision of the two ministries, to include quality and quantity of financial data and reporting procedures, and constraints within the enterprises which affect their

reporting capability. Also, the needs of the ministries to assemble and analyse financial reports will be assessed.

(2) Description of proposed monitoring systems, and steps required to establish them. This would include identification of constraints, including equipment required.

(3) Putting the monitoring systems in place. On-the-job and in-country training will be important to this task. Also, local currencies from AID's project budget will support a training program for accountants from the agricultural parastatals, which will cover the reporting requirements of the monitoring systems in the context of Madagascar's new accounting framework. It is anticipated that a local Malagasy consulting firm and/or training institution will provide this training.

Items (1) and (2) are planned to be completed within Phase I, by August 1987. Item (3), the more substantial task, will take place during Phase II. The end result will be monitoring systems which the ministries can apply to all of the enterprises in its portfolio - not only those selected for detailed study, below.

(b) Studies and Action Plans

Again working closely with MPARA and MPAEF staff, AID consultants will assist with development of an information base and classification of enterprises and will study several enterprises in depth. The steps would proceed as follows :

(1) Collection of information on the agricultural parastatals and their preliminary classification, such as by function, type of ownership, type of management, financial position, and other aspects of interest to the ministries.

(2) Preliminary categorisation of the enterprises according to possible recommended action, such as, for example, (a) enterprises that should operate on a commercial basis and could do so, partially or completely, within the private sector (b) functions that could be realigned or consolidated but would remain in government control. Other categories would be included, as needed.

(3) Identification of priority parastatals for in-depth study, including the development of criteria for selection of potential candidates for some form - whole or partial - of divestiture, and selection of about 5 parastatals for

further study.

(4) Diagnostic studies of the selected parastatals. These would be "corporate business plans" comprising financial and market analysis; structure and ownership; management capacity and personnel; enterprise objectives; and, assessment of legal, administrative, technical, organisational, marketing and other issues to be resolved.

The above activities are included in Phase I. The following would be conducted over the time period covered by Phase II.

(5) Identification of steps to lead to divestiture in each case, including (a) identification of options such as divestiture of the entire enterprise; divestiture of minority shareholding; divestiture of profitable subsidiaries and/or particular assets of enterprises; divestiture of packages of profitable and unprofitable business units; (b) review of domestic and foreign sources of capital and management; (c) identification of potential investor groups; (d) other measures (eg. new technologies or products, strengthening top management) needed to ensure the success of each divestiture and establish the basis for long term performance.

(6) Preparation of action plans for divestiture, for GDRM use, which set forth necessary background information and tasks to be accomplished (including suggestion of innovative financial instruments) for each enterprise.

(7) Preparation of a manual of procedures to be followed in Madagascar to systematically assess parastatals and their divestiture options, conduct diagnostic studies and prepare action plans.

It is important to note that AID support for diagnostic studies and action plans will be limited to parastatals which, in the ministries' views, have potential for <u>some</u> form of divestiture. Complementary funding from the World Bank's Second Agriculture Institutions Support Project are available for the study of parastatal enterprises which are not analysed under AID funding. These enterprises could be selected at the same time as the enterprises are selected for AID-funded study.

4. Resources

Consultants provided through Coopers & Lybrand will play an important role in the above tasks. However, a local accounting and management consulting firm will also play a key role in working along with Coopers & Lybrand to provide technical assistance and logistical/administrative support, and assist with on-the-job and in-country training.

Funds are set aside for several in-country seminars, the content of which will be defined following definition of needs, above. Participants are likely to include middle-level personnel in the two ministries and in key parastatals selected by the ministries. Such seminars will be arranged and conducted by a local consulting firm or firms, with the participation of the external advisors, if necessary. The training program for parastatal accountants will be planned and implemented using a local accounting firm and/or training institute, with assistance by Coopers & Lybrand, if necessary.

Some external short term training will be funded, as needs are identified, in such areas as financial management, information systems, marketing or other topics.

Funds which accrue from the sale of commodities imported under the MARS program will be available for in-country travel of ministry staff and some other local costs associated with ministry participation in the above described activities.

Funds are included to provide selected equipment, (photocopiers, typewriters, calculators, microcomputers, and vehicles).

Appendix B

SELECTION OF THE PRIMARY LIST OF ENTERPRISES UNDER MPARA/MPAEF TUTELLE

1. The first task at the outset of the Phase I studies was to agree with MPARA and MPAEF the initial list of State enterprises to be included in the study.

2. Three basic criteria were applied to this first stage of the filtering process :

- Enterprises should be under the tutelle of the two ministries;
- Enterprises should not already be divested;
- Enterprises should still be in operation.

3. Discussion were held with MPARA and MPAEF separately to identify the enterprises to be included in the study. The complete list from which the initial selection was made was as follows

Complete list of Enterprises/Operations etc under the tutelle of MPARA and MPAEF

MPARA

1. AAA
2. EEDR
3. F.E.BETAMPONA
4. F.E.BEZEZIKA
5. F.E.BREEKAY
6. F.E.LABANDY
7. F.E.MAHAFASA
8. F.E.MANANDRIBE
9. F.E.TSARAMANDROSO
10. FIFABE
11. FIFATO
12. FIFAMANOR
13. HASYMA
14. KOBOMA
15. MAMISOA
16. ODEMO
17. ODR
18. OFMATA
19. SAMANGOKY
20. SIDEMA
21. SINPA
22. SIRAMA
23. SIRANALA
24. SNBCE
25. SOAMA
26. SOAVOANIO
27. SODEMO
28. SOJUFA
29. SOMAPALM
30. SOMALAC
31. SORIFEMA
32. SOTHEMAD
33. TOLY
34. UCOFRUIT.

MPAEF

1. AFA
2. BCL
3. CFPF
4. CFTE
5. FAFIFAMA
6. FAMAMA
7. FANALAMANGA
8. F.E. OMBY
9. F.E. VOHIMASINA
10. FESA/TOPIFA
11. FESSA
12. LANSU
13. PNB
14. REFRIGEPECHE
15. ROMANOR
16. SECIAM
17. SEVIMA
18. SOFIRAC
19. SOMAPEHE
20. SOPEBO.

4. In discussion with the two ministries concerned, a number of enterprises were excluded from further consideration at this stage. These enterprises, and the reasons for their exclusion, were as follows :

(a) Exclusion of MPARA enterprises.

Ferme d'Etat BEZEZIKA : we were informed by MPARA that this enterprise is no longer under the ministry's tutelle. It operates under a management contract with a private sector group, and the Ferme d'Etat has been dissolved : the GDRM now receives royalties from the privately-run activities.

Ferme d'Etat BREEKAY : MPARA informed us that this enterprise has been dissolved.

Ferme d'Etat LABANDY
Ferme d'Etat MANANDRIBE
Ferme d'Etat TSARAMANDROSO : we understand from MPARA that all three of these enterprises should be excluded on the grounds that they are now managed by HASYMA. To the extent that HASYMA is chosen for further study (see appendix C and Appendix D), those enterprises will be covered in that study.

ODR
ODEMO
FIFAMANOR : MPARA stated that those three entities are all "operations" rather than enterprises and should be excluded from the study.

FIFATO : MPARA informed us that this enterprise has been dissolved.

SIRAMA
SIRANALA
SNBCE : MPARA informed us that these three sugar enterprises are now under the tutelle of the MIEM.

KOBOMA
SIDEMA : MPARA stated that these enterprises are also under

MIEM tutelle.

UCOFRUIT : MPARA informed us that this enterprise is no longer under the ministry's tutelle.

From the initial list of 34 enterprises under MPARA tutelle, it was therefore agreed that 15 should be excluded from the project.

(b) Exclusion of MPAEF enterprises.

FESA/TOPIFA : MPAEF informed us that these two enterprises should be excluded on the grounds that they are now being operated by a Madagascar-Libyan joint venture.

REFRIGEPECHE : MPAEF informed us that this enterprise should be excluded since it is by nature an "operation".

ROMANOR : MPAEF stated that this enterprise is also an "operation" concerned in this case with small-scale dairy producers, and that it should be excluded from the study.

Centre de Formation Professionnelle Forestiere (CFPF)
Centre de Formation Technique d'Elevage (CFTE)
MPAEF informed us that these two training institutions should not be included in the study.

From the total of 20 enterprises under MPAEF tutelle therefore, it was agreed that 5 should be eliminated from this study.

5. On this basis, a total of 34 enterprises were selected and agreed with the ministries to form the base list for this study. These were as follows :

Initial Enterprise Set

MPARA	MPAEF
1. AAA	1. AFA
2. EEDR	2. BCL
3. F.E. BETAMPONA	3. FAFIFAMA
4. F.E. MAHAFASA	4. FAMAMA
5. FIFABE	5. FANALAMANGA
6. HASYMA	6. F.E. OMBY
7. MAMISOA	7. F.E. VOHIMASINA
8. OFMATA	8. FESSA
9. SAMANGOKY	9. LANSU
10. SINPA	10. SECIAM
11. SOAMA	11. SEVIMA
12. SOAVOANIO	12. SOFIRAC
13. SODEMO	13. SOPEBO

14. SOJUFA
15. SOMALAC
16. SOMAPALM
17. SORIFEMA
18. SOTHEMAD
19. TOLY.

14. PNB
15. SOMAPECHE

Stage II: Preliminary Evaluation of Enterprises

Objectives

Having agreed the base list of enterprises as described in Appendix B, the next step in our analysis was to carry out preliminary analysis of the thirty four enterprises identified in order to select those most promising for divestiture action in the short term. In our proposal, it was envisaged that this stage of the work would lead to the selection of approximately twenty enterprises.

The central objectives at this point were twofold:

- identify enterprises where the addition of commercial parameters would result in significantly improved performance;
- identify enterprises where this performance improvement could be achieved in the short term.

Methodology Adopted

In the event, we became aware at this stage that our initial proposal to select twenty potential divestiture candidates was flawed to the extent that it failed to take account of the vital role played in the agricultural sector by the "Societes d'Amenagement." In general, these large enterprises were unlikely to be prime divestiture candidates, due to their mixed social and commercial objectives, but at the same time they are all major consumers of public money and clearly play an important role in the execution of national agricultural policy objectives.

We concluded that we could not reasonably exclude from the study these important enterprises simply because their non-commercial objectives would not permit them to qualify for selection under the divestiture group. It was clear that, from the point of view of monitoring procedures and therefore public expenditure control. the "Societes d'Amenagement" were of

central importance. We therefore decided to create a sub-group of these enterprises, and to select from that sub-group a representative sample to be studied exclusively for monitoring purposes, in parallel with the studies to be carried out on other, commercially-oriented enterprises, for divestiture planning.

Selection Criteria - Divestiture Candidates

We selected seven key criteria against which to judge all enterprises except the Societes d'Amenagement. These criteria were financial, economic and pragmatic, and were chosen to permit us to differentiate between those enterprises with essentially commercial objectives where one form of divestiture or another could lead to significant, short-term performance improvements. The criteria chosen were as follows:

STAGE II PRELIMINARY EVALUATION CRITERIA

CRITERION	COMMENTS
1. Mission	- Enterprises were sought where the primary activity had a profit objective and thus where the addition of commercial parameters would lead to performance improvements.
2. Viability	- Enterprises with current or potential viability were sought. Those enterprises clearly non-viable, as indicated by several years of significant losses, or those which were potentially viable only after major financial restructuring, (i.e with several years of significantly negative working capital, total debt and/or net debt), were not selected for further study at this point, because we concluded that improvements, in the short term would not be achievable.
3. Administrative/ Legal Framework	- Enterprises were given low priority where multiple tutelle or legal issues were identified which would prevent effective short-term action.
4. Size	- Enterprises were to be ranked in terms of size, so that, where limited study resources demanded that we study only some potential candidates, the most significant would be given higher priority. This would ensure that, where possible, divestiture

candidates would be those where the greatest short-term impact would be achievable.

5. Impact on the Treasury/Banks

- Related to size, this criterion sought to select enterprises with a major impact on Government finances. In this case, we felt that even if other criteria implied delaying divestiture action, a guide would be available to target our monitoring recommendations to maximum effect. The broad objective was to provide a relative measure of the drain on the economy by different enterprises. The measures used included the following:

  * Subventions - operating and equipment subventions from the Government

  * Capital - all increases/decreases in capital were assumed to come from the State. (An analysis of this assumption vis-a-vis other shareholders revealed this to be a reasonable approximation.)

  * Loans and Advances - all increases/decreases in debt were assumed to be related to Government, state-owned banks, or aid-agency support. Since all these are de facto public-sector resources with implied opportunity

costs, we concluded that this was a relevant measure.

6. Strategic Importance

- We felt it important to gain an initial impression (not necessarily quantitative) of how a given activity related to overall policy objectives, process industries, exports and so on. We used several measures here, namely:

  * Current Importance of Sector - the relative importance of key crops was measured by:

    - percentage of export earnings from each crop;
    - the number of producers involved in the crop's production.

  * Importance of Other Activities - we made an informal evaluation of the economic linkages involved with a given activity.

  * Relation of Sector to National Policy Goals - again, we made an informal evaluation of the relative importance of a given activity vis-a-vis the goals expressed in the 1986-1990 Five Year Plan, (see Appendix I for details).

7. Donor Agency

- We decided to give lower priority to enterprises where there was already a high level of donor agency involvement, on the grounds that the incremental impact of this project was likely to be small in the face of, for example, an existing long-term rehabilitation programme.

On the basis of these seven key criteria, we analysed each of the thirty four enterprises under a standardised format. These analysis sheets are reproduced in full in the Data Pack accompanying this Appendix.

Application of Criteria

With the exception of the Societes d'Amenagement, we evaluated the results of this analysis with a view to ranking the commercially-oriented enterprises in order of their potential for immediate performance improvement by means of divestiture actions.

A key feature of this analysis was that, for the divestiture candidates, there were in fact only three necessary and sufficient criteria, which needed to be satisfied. These were:

- that the enterprise should have mainly a profit objective;
- that the enterprise should be actually or potentially viable, and
- that there should be no legal or administrative features that prevented improvements in the short term via divestiture.

Provided that each of these three criteria were met for individual enterprises, we included such enterprises in our selection for more detailed study.

It was, however, also necessary to ensure that we studied in more detail only a restricted number of enterprises which reflected the resources available to us in Phase I of this project. We were therefore obliged to indicate two groups of enterprises within this selection:

- those of "high-priority" - i.e, those enterprises which, in our judgement, offered the best chance of short-term improvements via divestiture;

- those of "low-priority" - i.e those which we felt had less immediate potential and which we could only study after the first group if time permitted.

Conclusions - The Candidates for Divestiture

The enterprises selected for further study on this basis were as follows:

ENTERPRISES SELECTED AS POSSIBLE DIVESTITURE CANDIDATES

MPARA	MPAEF
A. High Priority	
OFMATA	AFA
SOAVOANIO	FAMAMA
SOJUFA	FANALAMANGA
SOMALAC RICE MILL*	FESSA
SOMAPALM	SECIAM
SOTHEMAD	SOPEBO
B. Low Priority	
AAA	
EEDR	
SINPA	

In the event, the enterprises selected as "low-priority" were not included in the study, largely due to time restrictions, (although in the case of SINPA, a discussion with the President of the Conseil d'Administration indicated that a recent internal management review had rejected divestiture as a means of improving the enterprises' performance - see Main Report).

Table C1 on the following page presents a summary of the analysis of all the enterprises. This summary is based on the detailed analysis sheets included in the Data Pack to the Appendix.

The Societes d'Amenagement

As far as the Societes d'Amenagement were concerned, we decided to select four enterprises for study as a basis for defining monitoring requirements. These enterprises, and the rationale for their incl sion, were as follows:

- SOMALAC - one of the largest, best-run, and most important enterprises with a mix of commercial and non-commercial goals and which we felt could be used as a model of "best practice" in proposing monitoring procedures and management strengthening within the parastatal sector.

- SOAMA - a small, relatively poorly-resourced enterprise with non-commercial goals.

- FE OMBY - the only Societe d'Amenagement under the tutelle of MTAEF, active in the strategic meat sector, and with mixed commercial and non-commercial goals.

- HASYMA - included in a limited sense only because it illustrates with an actual example the pressures placed on enterprises by uncoordinated and multiple requests for data from various departments of government to the parastatal sector.

MPARA ENTERPRISE SELECTION FOR STAGE III STUDY.
ENTREPRISES MPARA: SELECTION POUR LES ETUDES DU STADE III.

CRITERES	ENTREPRISES COMMERCIALES														SOCIETES D'AMENAGEM				
	AAA	EEDR	FE BETAMPONA	FE MAHAFASA	HASYMA	MAMISOA	OFMATA	SINPA	SOAVOANIO	SOJUFA	SOMAPALM	SORIFEMA	SOTHEMAD	TOLY	FIFABE	SAMANGOKY	SOAMA	SODEMO	
1. Mission	X	X			X	X	X	X	X	X	X	X	X	X					
2. Viabilite	X	X			X	X	X	X	X	X	X	X	X	X					
3. Cadre Administratif/ Juridique	X	X	X	X			X	X	X	X	X		X				X	X	
Decision	OUI	OUI	NON[a]	NON	OUI[b]	NON	OUI	OUI	OUI	OUI	OUI	NON	OUI	NON	NON	NON	OUI[b]	NON	OU
. Taille	X				X	X	X	X	X		X			X	X	X			
. Impacts/Banques et Tresor					X	X		X	X		X			X	X	X			
. Importance Strategique	X				X			X	X		X			X	X	X	X	X	
. Activites Bailleurs de fonds					X				X		X				X	X	X		

Sauf en cas d'intégration avec la SOJUFA.

Seulement du point de vue des exigences du système de suivi à proposer.

MPAEF ENTERPRISE SELECTION FOR STAGE III STUDY.
ENTREPRISES MPAEF: SELECTION POUR LES ETUDES DU STADE III.

CRITERES	ENTREPRISES COMMERCIALES														ENTREPRI NON COMMERCI
	AFA	BCL	FAFIFAMA	FAMAMA	FANALAMANGA	FESSA	FEV	LANSU	PNB	SECIAM	SEVIMA	SOFIRAC	SOMAPECHE	SOPEBO	FE OMBY
1. Mission	X		X	X	X	X	X	X	X	X	X	X	X	X	X[c]
2. Viabilite	X[a]			X	X	X			X	X	X		X	X	
3. Cadre Administratif/ Juridique	X	X	X	X	X	X				X[a]	X[b]			X	X
Decision	OUI	NON	NON	OUI	OUI	OUI	NON	NON	NON	OUI	OUI	NON	NON	OUI	OUI
. Taille			X	X	X				X	X	X		X	X	X
. Impacts/Banques et Tresor			X	X	X		X		X	X	X		X		
. Importance Strategique			X	X			X			X	X				X
. Activites Bailleurs de fonds	X		X	X	X				X	X					

Si réhabilité.

S'il n'y a pas de complications concernant la SICE.

Partiellement commerciale.

MPARA ENTERPRISES

The following section of this appendix presents a series of standardised two-page analyses of the following enterprises under MPARA tutelle:

AAA

EEDR

FE BETAMPONA

FEMAHAFASA

FIFABE

HASYMA

MAMISOA

OFMATA

SAMANGOKY

SINPA

SOAMA

SOAVOANIO

SODEMO

SOJUFA

SOMALAC

SOMAPALM

SORIFEMA

SOTHEMAD

TOLY

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : AAA
Antok'Asa eny Ambanivohitra
MINISTERE : MPARA
PRODUITS/SERVICES: Services et Materiels Agricoles
ACTIVITES : Prestations de services et ventes de materiels agricoles
TYPE D'ENTREPRISE : Services
FORME JURIDIQUE : Entreprise Socialiste

EVALUATION PAR CRITERE

1. MISSION : Activites a vocation commerciale

2. TAILLE : Assez importante

	1983	1984	1985
effectif - permanent		640	472
temporaire			
chiffre d'affaires	1,271	663	689
actif total	3,501	2,991	3,021
valeur ajoutee	725	50	308

3. VIABILITE : Censee d'etre viable,mais resultats d'exploitaton negatifs (1983-1985), l'endettement croissant et situation nette presque insolvable. Valeur ajoutee positive

resultat d'exploitation (2)	(59)	(641)	(252)
fond de roulement	1,668	1,069	1,185
dette totale	(2,363)	(2,809)	(3,018)
situation nette (3)	1,138	182	3

4. IMPACT SUR LE TRESOR & LES BANQUES: Relativement modeste par rapport aux autres entreprises de l'echantillon; mais l'endettement est assez important envers le systeme bancaire (et envers l'Etat sur l'achat des tracteurs sovietiques)

subventions			
capitaux			
prets et avances (4)	90	(446)	(209)
impact net sur le tresor & les banques (5)	90	(446)	(209)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	
exportations du produit (% des exportations totales)	Non-applicable
nombre de producteurs (6)	Non-applicable

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise: Materiels agricoles
Importance Relative	-Auto suffisance alimentaire	*
*** tres important	-Production des huiles alimentaires vegetales	*
** important	-Expansion des exportations	**
* assez important	-Developper les exploitations paysannes	***
	-Traitement des valeur ajoutees	.

6. CADRE ADMINISTRATIF ET JURIDIQUE: Tutelle MPARA; Participation de l'Etat a 100 %

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — OUI

argumentation: Mission commerciale, de taille assez importante, mais situation financiere faible; entreprise strategique par rapport aux besoins du secteur agricole.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : EEDR "MAMOKATRA"
Entreprise d'Etudes de developpement Rural "MAMOKATRA"
MINISTERE : MPARA
PRODUITS/SERVICES: Prestations de services
ACTIVITES : Etudes touchant les travaux de Genie Rural,eaux et foret, elevage, agriculture et agro-industrie.
TYPE D'ENTREPRISE : Services
FORME JURIDIQUE : Entreprise Socialiste

EVALUATION PAR CRITERE

1. MISSION : Activites a vocation commerciale

2. TAILLE : Petite surtous les aspects, sauf valeur ajoutee (positive) qui est de taille moyenne par rapport a l'echantillon.

	1983	1984	1985
effectif - permanent			
temporaire			
chiffre d'affaires	138	172	186
actif total	175	183	219
valeur ajoutee	86	91	109

3. VIABILITE : Apparently viable

resultat d'exploitation (2)	5	19	18
fond de roulement	114	97	71
dette totale	(50)	(63)	(96)
situation nette (3)	125	120	123

4. IMPACT SUR LE TRESOR & LES BANQUES: Minime

subventions			
capitaux			
prets et avances (4)	32	(13)	(33)
impact net sur le tresor & les banques (5)	32	(13)	(33)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	
exportations du produit (% des exportations totales)	Non-applicable
nombre de producteurs (6)	

b) Importance pour d'autres activites en amont et en aval: Pas de liaison directe

c) Relation de l'entreprise avec les buts de la politique nationale :

Evaluation d'importance des activites

Activites de l'entreprise

GUIDE	Buts de la politique nationale:	Etudes
Importance Relative	-Auto suffisance alimentaire	*
*** tres important	-Production des huiles alimentaires vegetales	*
** important	-Expansion des exportations	*
* assez important	-Developper les exploitations paysannes	*
	-Traitement des valeur ajoutees	*

6. CADRE ADMINISTRATIF ET JURIDIQUE: Participation de l'Etat a 100 %; tutelle de MPARA

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON OUI

argumentation: A cause du but lucratif et de la viabilite apparente; bien qu'elle soit petite et n'exige pas de mesures d'amelioration de premiere urgence.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : F.E. BETAMPONA
Ferme d'Etat BETAMPONA
MINISTERE : MPARA
PRODUITS/SERVICES: Pommes
ACTIVITES : Gestion et Exploitation
Commercialisation
TYPE D'ENTREPRISE : Ferme agricole
FORME JURIDIQUE : Etablissement Public a Caractere Industriel et Commercial

EVALUATION PAR CRITERE

1. MISSION : Activite a vocation non-commercial mais integration a la SOJUFA

2. TAILLE : Tres modeste

	1982	1983	1984
effectif - permanent		84	77
temporaire			
chiffre d'affaires	9	7	9
actif total	425	426	432
valeur ajoutee	16	10	15

3. VIABILITE : Probablement non-viable; depend de la liaison a la SOJUFA

resultat d'exploitation (2)	(21)	(24)	(24)
fond de roulement	26	30	34
dette totale	(7)	(3)	(7)
situation nette (3)	418	423	425

4. IMPACT SUR LE TRESOR & LES BANQUES: Modeste

subventions			
capitaux	(30)	(30)	(26)
prets et avances (4)	2	4	(4)
impact net sur le tresor & les banques (5)	(28)	(26)	(30)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

	Pommes
production des entreprises	
exportations du produit (% des exportations totales)	N.D.
nombre de producteurs (6)	N.D.

b) Importance pour d'autres activites en amont et en aval : liaison potentiel en aval Fournisseur de pommes et fruits a la SOJUFA.

c) Relation de l'entreprise avec les buts de la politique nationale :

Evaluation d'importance des activites

Activites de l'entreprise

GUIDE	Buts de la politique nationale:	Pommes
Importance Relative	-Auto suffisance alimentaire	-
*** tres important	-Production des huiles alimentaires vegetales	-
** important	-Expansion des exportations	*
* assez important	-Developper les exploitations paysannes	*
	-Traitement des valeur ajoutees	**

6. CADRE ADMINISTRATIF ET JURIDIQUE: Tutelle MPARA
Participation de l'Etat a 100 %.

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — OUI
argumentation: A determiner; oui si integration a la SOJUFA

Notes
(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : F.E. MAHAFASA
Ferme d'Etat MAHAFASA
MINISTERE : MPARA
PRODUITS/SERVICES: Cafe - Girofle - Poivre
ACTIVITES : Plantations

TYPE D'ENTREPRISE : Production agricole
FORME JURIDIQUE : Ferme d'Etat

EVALUATION PAR CRITERE
---

1. MISSION :

2. TAILLE : Parmi les plus petites des entreprises parapubliques

	1979	1980	1981
effectif - permanent			
temporaire			
chiffre d'affaires			
actif total	38	52	59
valeur ajoutee			

3. VIABILITE : Jugee non-viable par MPARA

resultat d'exploitation (2)			
fond de roulement	19	28	32
dette totale	(5)	(6)	(6)
situation nette (3)	33	46	53

4. IMPACT SUR LE TRESOR & LES BANQUES: Minime

subventions	(6)	(35)	(35)
capitaux			
prets et avances (4)	0	(1)	0
impact net sur le tresor & les banques (5)	(6)	(36)	(35)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	Cafe	Girofle	Poivre
exportations du produit (% des exportations totales)	37	10	1
nombre de producteurs (6)	350	80	80

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise: Cafe	Girofle	Poivre
Importance Relative				
*** tres important	-Auto suffisance alimentaire	-	-	-
** important	-Production des huiles alimentaires vegetales	-	-	-
* assez important	-Expansion des exportations	**	*	**
	-Developper les exploitations paysannes	*	*	**
	-Traitement des valeur ajoutees	-	-	-

6. CADRE ADMINISTRATIF ET JURIDIQUE: Tutelle de MPARA; participation de l'Etat a 100 %

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — Non

argumentation: Pas assez grande pour meriter une etude dans l'immediat; d'au que l'entreprise manque de but lucratif et ne parait pas viab

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : FIFABE
Fikambanana Fampandrosoana ny Lemak'i Betsiboka
MINISTERE : MPARA
PRODUITS/SERVICES:
ACTIVITES : Vulgarisation et entretien des reseaux
Commercialisation du Riz blanc
TYPE D'ENTREPRISE : Societe d'Amenagement
FORME JURIDIQUE : Entreprise Socialiste

EVALUATION PAR CRITERE
---

1. MISSION : Activites mixtes (encadrement des producteurs, non commercial commercialisation du riz, commercial)

2. TAILLE : Importante sur tous les aspects

	1983	1984	1985
effectif - permanent	650		684
temporaire			55
chiffre d'affaires	1,754	2,745	3,917
actif total	2,119	2,828	3,025
valeur ajoutee	248	823	1,123

3. VIABILITE : En principe non-viable du point de vue du MPARA, mais resultats financiers positifs en 1985

resultat d'exploitation (2)	(579)	(133)	173
fond de roulement	(120)	(4)	199
dette totale	(2,034)	(2,486)	(2,282)
situation nette (3)	85	342	743

4. IMPACT SUR LE TRESOR & LES BANQUES: Flux variables entre 1983 et 1985, impact positif en 1985

subventions	(400)	(200)	(126)
capitaux			
prets et avances (4)	1,197	(452)	204
impact net sur le tresor & les banques (5)	.797	(652)	78

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	Riz
exportations du produit (% des exportations totales)	-
nombre de producteurs (6)	1400

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise: Vulgarisation	Commercialisation
Importance Relative	·Auto suffisance alimentaire	***	**
*** tres important	·Production des huiles alimentaires vegetales	-	-
** important	·Expansion des exportations	-	-
* assez important	·Developper les exploitations paysannes	***	**
	·Traitement des valeur ajoutees	-	-

6. CADRE ADMINISTRATIF ET JURIDIQUE: Participation de l'Etat a 100 %; tutelle du MPARA qui prevoit une etude technique et financiere de FIFABE (cabinet Fivoarana)

7. ACTIVITES BAILLEURS DE FONDS: KFW financement de l'equipement et de l'assistance technique

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON: NON

argumentation: Vu l'etude mentionnee par MPARA a exclure par Coopers & Lybrand du point de vue systeme de suivi

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : HASYMA
Hasy - Malagasy
MINISTERE : MPARA
PRODUITS/SERVICES: Coton
ACTIVITES : Encadrement agricole - Approvisionnement intrants
Collecte coton graine - vente coton fibre (+ coton graine)
TYPE D'ENTREPRISE : Societe de service
FORME JURIDIQUE : Societe anonyme

EVALUATION PAR CRITERE
---

1. MISSION : vocation mixte; activites commerciales en ce qui concerne la commercialisation du coton fibre; activites non-commerciales par rapport a l'encadrement des producteurs et l'approvisionnement des intrants.

2. TAILLE : Tres importante sur tous les aspects

	1983	1984	1985
effectif - permanent	500		
temporaire	50		
chiffre d'affaires	6,700	15,200	17,553
actif total	7,948	16,550	25,100
valeur ajoutee	415	3,282	1,465

3. VIABILITE : Viabilite potentielle, mais resultats d'exploitation negatif en 1985, et l'accroissement rapide de l'endettement exige des mesures d'urgence de redressement

resultat d'exploitation (2)	146	2,494	(903)
fond de roulement	3,993	7,193	15,955
dette totale	(6,550)	(12,903)	(21,488)
situation nette (3)	1,398	3,647	3,612

4. IMPACT SUR LE TRESOR & LES BANQUES: Impact modeste en termes de subventions, mais impact important du point de vue du systeme bancaire

subventions	(43)	(32)	(90)
capitaux			
prets et avances (4)	(2,221)	(6,353)	(8,585)
impact net sur le tresor & les banques (5)	(2,264)	(6,385)	(8,675)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	Coton
exportations du produit (% des exportations totales)	-
nombre de producteurs (6)	20

b) Importance pour d'autres activites en amont et en aval : Liasion en aval aux industries textiles Product. coton; fibre approvisionnant les filatures de M/scar ou pour l' exportation.

c) Relation de l'entreprise avec les buts de la politique nationale :

Evaluation d'importance des activites

Activites de l'entreprise

GUIDE	Buts de la politique nationale:	Coton
Importance Relative	-Auto suffisance alimentaire	-
*** tres important	-Production des huiles alimentaires vegetales	-
** important	-Expansion des exportations	***
* assez important	-Developper les exploitations paysannes	**
	-Traitement des valeur ajoutees	***

6. CADRE ADMINISTRATIF ET JURIDIQUE: Participation de l'Etat a 70 %; participation de la CFDT A 30 %.

7. ACTIVITES BAILLEURS DE FONDS: Financement important de la CCCE et du FAC

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON OUI

argumentation: Entreprise strategique, importance financiere enorme, mais etant donne les mesures de privatisation (paticipation CFDT de longue duree) en cours, a voir du point de vue systeme de suivi.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : MAMISOA
Malagasy Mikarakara Soja Afovoany Andrefana
MINISTERE : MPARA
PRODUITS/SERVICES: Soja - Riz - Huile alimentaire
ACTIVITES : Plantation - transformation

TYPE D'ENTREPRISE : Agro-industrie
FORME JURIDIQUE : Entreprise Socialiste

EVALUATION PAR CRITERE

1. MISSION : Activites a vocation commerciale

2. TAILLE : Actif total tres important.
Effectif de taille moyenne.
Valeur ajoutee negative.

	1984	1985	
effectif - permanent		262	
temporaire			
chiffre d'affaires	*	437	
actif total	19,114	21,095	
valeur ajoutee	*	(190)	

3. VIABILITE : A determiner; exige une etude de pres en vue des resultats, valeur ajoutee et fond de roulement negatifs, d'autant plus par rapport a l'importance de l'investissement de l'Etat.

resultat d'exploitation (2)	*	(1,334)	
fond de roulement	(3,074)	(4,036)	
dette totale	(9,669)	(11,577)	
situation nette (3)	9,445	9,518	

4. IMPACT SUR LE TRESOR & LES BANQUES: Impact important

subventions	(38)		
capitaux			
prets et avances (4)		(1,908)	
impact net sur le tresor & les banques (5)	(38)	(1,908)	

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	Soja	Riz	Huile alimentaire
exportations du produit (% des exportations totales)	-	-	-
nombre de producteurs (6)	N.D	1400	N.D.

b) Importance pour d'autres activites en amont et en aval : Liaison en amont aux producteurs des oleagineux. Usine de transfo. de soja dependant de la product. Locale pour les matieres premieres.

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise: Soja	Riz	Plantation et transformat Huile alimentaire
Importance Relative	-Auto suffisance alimentaire	-	***	**
*** tres important	-Production des huiles alimentaires vegetales	**	-	***
** important	-Expansion des exportations	-	-	-
* assez important	-Developper les exploitations paysan[illegible]	**	**	**
	-Traitem[illegible] les valeur ajoutees	**	-	***

6. CADRE ADMINISTRATIF ET JURIDIQUE: Double tutelle MPARA/Fond National d'Investissement; participation de l'Etat a 84 %.

7. ACTIVITES BAILLEURS DE FONDS: BEE et ICO : organismes financiers espagnols pour le financement des equipements.

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — NON

argumentation: Etude requise mais vu la double tutelle, a laisser aux autres (APB?)

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : OFMATA
Office Malgache des Tabacs
MINISTERE : MPARA
PRODUITS/SERVICES: Tabacs en feuilles
ACTIVITES : Encadrement de culture, collecte, importation et ventes des tabacs en feuilles
TYPE D'ENTREPRISE : Services
FORME JURIDIQUE : EPIC

EVALUATION PAR CRITERE

1. MISSION : Activites commerciales, commercialisation des tabacs en feuilles

2. TAILLE : Assez importante

	1982	1983	1984
effectif - permanent		520	
temporaire			
chiffre d'affaires	1,998	2,039	2,108
actif total	3,044	2,864	2,462
valeur ajoutee	439	138	71

3. VIABILITE : A determiner. Situation financiere degradante
Exige des mesures de redressement

resultat d'exploitation (2)	(103)	(258)	(443)
fond de roulement	263	(181)	(909)
dette totale	(2,828)	(2,657)	(2,913)
situation nette (3)	216	207	(451)

4. IMPACT SUR LE TRESOR & LES BANQUES: Vu la tendance de sa situation financiere, impact potentiel important (impact defavorable)

subventions			
capitaux			
prets et avances (4)	(102)	171	(256)
impact net sur le tresor & les banques (5)	(102)	171	(256)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

	Tabac
production des entreprises	
exportations du produit (% des exportations totales)	N.D.
nombre de producteurs (6)	30

b) Importance pour d'autres activites en amont et en aval : Represente un circuit de commercialisation pour la production de tabac.

c) Relation de l'entreprise avec les buts de la politique nationale :

Evaluation d'importance des activites

Activites de l'entreprise

GUIDE	Buts de la politique nationale:	Tabac
Importance Relative	-Auto suffisance alimentaire	-
*** tres important	-Production des huiles alimentaires vegetales	-
** important	-Expansion des exportations	*
* assez important	-Developper les exploitations paysannes	**
	-Traitement des valeur ajoutees	*

6. CADRE ADMINISTRATIF ET JURIDIQUE: Participation de l'Etat a 100 %; Rapport officieux d'une etude en cours visant a une modification de son role

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON OUI

argumentation: Vu les activites a but lucratif et l'importance de la societe, merite une etude plus poussee; a moins qu'une reorientation majeure de l'OFMATA ne soit prevue

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : SAMANGOKY
Societe pour l'Amenagement et la Mise en Valeur de la vallee du Bas Mangoky
MINISTERE : MPARA
PRODUITS/SERVICES: Riz - Coton
ACTIVITES : Encadrement technique
Entretien du reseau d'irrigation
TYPE D'ENTREPRISE : Societe d'Amenagement
FORME JURIDIQUE : Societe d'Economie Mixte

EVALUATION PAR CRITERE
.....

1. MISSION : Non-commerciale

2. TAILLE : Assez importante

	1983	1984	1985
effectif - permanent		543	445
temporaire			
chiffre d'affaires	978	980	918
actif total	3,643	3,432	3,039
valeur ajoutee	(295)	(165)	(427)

3. VIABILITE : Non-viable

resultat d'exploitation (2)	(1,051)	(570)	(823)
fond de roulement	(186)	(1,197)	63
dette totale	(2,501)	(2,786)	(1,764)
situation nette (3)	1,142	646	1,275

4. IMPACT SUR LE TRESOR & LES BANQUES: Flux variable, risque d'exiger un important financement a l'avenir

subventions			(686)
capitaux			
prets et avances (4)	685	(285)	1,022
impact net sur le tresor & les banques (5)	685	(285)	336

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	Riz	Coton
exportations du produit (% des exportations totales)	.	.
nombre de producteurs (6)	1400	20

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise — Vulgarisation et Irrigation pour : Riz	Coton
Importance Relative	-Auto suffisance alimentaire	***	.
*** tres important	-Production des huiles alimentaires vegetales	.	.
** important	-Expansion des exportations	.	***
* assez important	-Developper les exploitations paysannes	***	**
	-Traitement des valeur ajoutees	.	.

6. CADRE ADMINISTRATIF ET JURIDIQUE: Participation de l'Etat a 95 %; tutelle du MPARA qui prevoit une etude technique et financiere.

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — NON

argumentation: Vu le manque de but lucratif et la non-viabilite et vu l'etude mentionnee par le MPARA, a exclure par Coopers & Lybrand.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : SINPA
Societe d'Interet National des Produits Agricoles
MINISTERE : MPARA
PRODUITS/SERVICES: Paddy, Riz, Cafe, Cacao, Mais.
ACTIVITES : Commercialisation des produits agricoles - Exportation de cafe, cacao, mais; Importation et distribution de riz - Activites agro-industrielles et annexes
TYPE D'ENTREPRISE : Commerce et distribution.
FORME JURIDIQUE : Societe d'Interet National

EVALUATION PAR CRITERE

1. MISSION : Activites a vocation commerciale

2. TAILLE : Une des plus grandes societes parapubliques

	1983	1984	1985
effectif - permanent	2,500	656	637
temporaire			
chiffre d'affaires	12,152	31,123	33,713
actif total	14,481	12,140	14,206
valeur ajoutee	413	2,078	2,563

3. VIABILITE : Viable

resultat d'exploitation (2)	(1,091)	1,474	2,058
fond de roulement	(531)	1,472	3,492
dette totale	(14,121)	(10,048)	(9,918)
situation nette (3)	360	2,092	4,288

4. IMPACT SUR LE TRESOR & LES BANQUES: Apres restructuration recente, impact negatif sur le Tresor, diminue ou cesse

subventions	27		(307)
capitaux			
prets et avances (4)		4,073	130
impact net sur le tresor & les banques (5)		4,073	(177)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	Riz	Cafe	Cacao
exportations du produit (% des exportations totales)	-	37	1
nombre de producteurs (6)	1400	350	2

b) Importance pour d'autres activites en amont et en aval : Important mecanisme pour l'exportation de produits de base.

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise: Riz (importation)	Cafe	Cacao
Importance Relative	-Auto suffisance alimentaire	-	-	-
*** tres important	-Production des huiles alimentaires vegetales	-	-	-
** important	-Expansion des exportations	-	**	***
* assez important	-Developper les exploitations paysannes	-	*	**
	-Traitement des valeur ajoutees	-	*	*

6. CADRE ADMINISTRATIF ET JURIDIQUE: Participation de l'Etat a 100 %;

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON

argumentation:

OUI

Entreprise extremement importante dans le secteur parapublic
Merite une etude plus poussee etant donne son importance et son caractere commercial

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE

FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : SOAMA
Societe Andapa Mamokatra

MINISTERE : MPARA

PRODUITS/SERVICES:

ACTIVITES : Encadrement des producteurs
Entretien et gestion des reseaux hydroagricoles

TYPE D'ENTREPRISE : Societe d'Amenagement

FORME JURIDIQUE : Societe d'Etat

EVALUATION PAR CRITERE

1. MISSION : Entite sans but lucratif

2. TAILLE : Petite a moyenne

	1983	1984	1985
effectif - permanent	290	227	199
temporaire			
chiffre d'affaires	181	269	220
actif total	569	580	596
valeur ajoutee	(25)	104	82

3. VIABILITE : Exploitation non-commercial equilibree par une subvention; voir avances.

resultat d'exploitation (2)	(126)	(20)	(41)
fond de roulement	159	178	130
dette totale	(190)	(153)	(212)
situation nette (3)	379	427	384

4. IMPACT SUR LE TRESOR & LES BANQUES: Modeste.

subventions	(31)		(2)
capitaux			
prets et avances (4)	55	37	(59)
impact net sur le tresor & les banques (5)	24	37	(61)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	
exportations du produit (% des exportations totales)	Non-applicable
nombre de producteurs (6)	

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise: Service Hydroagricole
Importance Relative		
*** tres important	-Auto suffisance alimentaire	**
** important	-Production des huiles alimentaires vegetales	.
* assez important	-Expansion des exportations	.
	-Developper les exploitations paysannes	**
	-Traitement des valeur ajoutees	.

6. CADRE ADMINISTRATIF ET JURIDIQUE: Participation de l'Etat a 100 %.

7. ACTIVITES BAILLEURS DE FONDS: Intervention du FED : financement de plusieurs volets

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — OUI

argumentation: Petite entite representative de son secteur non-commercial; Merite une etude du point de vue du systeme de suivi.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : SOAVOANIO
Societe Sambava Voanio
MINISTERE : MPARA
PRODUITS/SERVICES: Noix de coco - Coprah.
ACTIVITES : Gestion des cocoteraies - production
Commercialisation.
TYPE D'ENTREPRISE : Agro-industrie
FORME JURIDIQUE : Societe d'Etat.

EVALUATION PAR CRITERE

1. MISSION : Activites a vocation commerciale.

2. TAILLE : Taille importante sur tous les aspects :
effectif, actif total, valeur ajoutee, c.a.

	1983	1984	1985
effectif - permanent			695
temporaire			
chiffre d'affaires	245	628	873
actif total	3,001	4,059	4,275
valeur ajoutee	121	430	567

3. VIABILITE : Apparait viable en termes financiers. Exige une analyse de l'operation potentielle de l'extraction de l'huile brut.
Resultat d'exploitation, fonds de roulement et situation nette positifs.
Valeur ajoutee assez importante et positive

resultat d'exploitation (2)	(140)	94	131
fond de roulement	674	1,179	1,128
dette totale	(1,500)	(2,185)	(2,137)
situation nette (3)	1,501	1,874	2,138

4. IMPACT SUR LE TRESOR & LES BANQUES: Subvention continue mais diminuee.

subventions	(592)	(580)	(126)
capitaux			
prets et avances (4)	(233)	(685)	48
impact net sur le tresor & les banques (5)	(825)	(1,265)	(78)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

	Noix de coco
production des entreprises	
exportations du produit (% des exportations totales)	-
nombre de producteurs (6)	N.D.

b) Importance pour d'autres activites en amont et en aval : Liaison en aval avec la raffinerie de la SOMAPALM. Fournisseur d'huile presse du Coprah

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale	Evaluation d'importance des activites — Activites de l'entreprise: Noix de Coco	Coprah
Importance Relative	-Auto suffisance alimentaire	-	*
*** tres important	-Production des huiles alimentaires vegetales	*	**
** important	-Expansion des exportations	-	-
* assez important	-Developper les exploitations paysannes	*	-
	-Traitement des valeur ajoutees	-	**

6. CADRE ADMINISTRATIF ET JURIDIQUE: Tutelle du MPARA, participation a 80 % de l'Etat, et 20 % de la BTM.

7. ACTIVITES BAILLEURS DE FONDS: FED :intervention (Operation Cocotier de Sambava) au niveaux acquisition des equipements agricoles,assistance technique et extension de la plantation (non remboursable).

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — OUI

argumentation: Vocation commerciale, viable, assez importante, strategique et censee exiger un apport en capitaux pour etablir une usine a extraction

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : SODEMO
Societe pour le Developpement economique de la region de Morondava
MINISTERE : MPARA
PRODUITS/SERVICES:
ACTIVITES : Vulgarisation et encadrement.
Entretien du reseau de DABARA
TYPE D'ENTREPRISE : Societe d'Amenagement.
FORME JURIDIQUE : Societe d'Economie Mixte.

EVALUATION PAR CRITERE

1. MISSION : Entite sans but lucratif.

2. TAILLE : Moyenne

	1982	1983	1984
effectif - permanent		412	353
temporaire			
chiffre d'affaires		346	267
actif total	1,015	986	640
valeur ajoutee	177	(37)	(37)

3. VIABILITE : Pertes d'exploitation et mauvaise posture financiere refletant son caractere non-commercial.

resultat d'exploitation (2)	(175)	(191)	(327)
fond de roulement	(164)	69	(102)
dette totale	(1,211)	(1,008)	(1,210)
situation nette (3)	(196)	(22)	(570)

4. IMPACT SUR LE TRESOR & LES BANQUES: Subvention relativement importante en 1983; equilibre des flux en 84/85

subventions	(316)		
capitaux			
prets et avances (4)		203	(202)
impact net sur le tresor & les banques (5)	(316)	203	(202)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	
exportations du produit (% des exportations totales)	Non-applicable
nombre de producteurs (6)	

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise: Vulgarisation
Importance Relative	-Auto suffisance alimentaire	***
*** tres important	-Production des huiles alimentaires vegetales	-
** important	-Expansion des exportations	-
* assez important	-Developper les exploitations paysannes	***
	-Traitement des valeur ajoutees	-

6. CADRE ADMINISTRATIF ET JURIDIQUE: Participation de l'Etat a 99 %

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — NON

argumentation: Entite non-commercial deja representee dans l'echantillon du point de vue du systeme de suivi

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : SOJUFA
Societe de Jus de fruits d'Antsirabe
MINISTERE : MPARA
PRODUITS/SERVICES: Jus de fruits, visy gasy et vinaigre.
ACTIVITES : Achat et transformation de fruits.
Commercialisation des produits.
TYPE D'ENTREPRISE : Agro-industrie.
FORME JURIDIQUE : Societe d'Economie Mixte.

EVALUATION PAR CRITERE

1. MISSION : Activites a vocation strictement commerciale.

2. TAILLE : Dans l'echantillon, entreprise assez modeste du point de vue de l'effectif, c.a., actif total et valeur ajoutee.

	1984	1985	1986
effectif - permanent	123	140	138
temporaire			
chiffre d'affaires	278	325	356
actif total	312	499	496
valeur ajoutee	80	49	56

3. VIABILITE : Comparaison de l'evolution CA/VA necessite l'analyse des problemes de competitivite des produits finis. Situation nette negative, en degradation chronique, exige une rehabilitation technique et financiere. En principe, potentiel de viabilite par rapport au marche local pour l'eau minerale et pour certains jus de fruits. MPARA signale l'existence des promoteurs eventuels a la rehabilitation de la SOJUFA. Problemes de concretisation.

resultat d'exploitation (2)		(45)	(48)
fond de roulement	(240)	(392)	(585)
dette totale	(512)	(663)	(832)
situation nette (3)	(200)	(164)	(336)

4. IMPACT SUR LE TRESOR & LES BANQUES: Impact modeste mais croissant (prets et avances)

subventions			
capitaux			
prets et avances (4)	(85)	(151)	(169)
impact net sur le tresor & les banques (5)	(85)	(151)	(169)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

	Jus de fruits
production des entreprises	
exportations du produit (% des exportations totales)	N.D.
nombre de producteurs (6)	N.D.

b) Importance pour d'autres activites en amont et en aval : Liaison en amont a la F.E. BETAMPONA; Possibilite de stimuler la production fruitiere.

c) Relation de l'entreprise avec les buts de la politique nationale :

Evaluation d'importance des activites

Activites de l'entreprise

GUIDE	Buts de la politique nationale:	Jus de fruits
Importance Relative	·Auto suffisance alimentaire	
*** tres important	·Production des huiles alimentaires vegetales	
** important	·Expansion des exportations	
* assez important	·Developper les exploitations paysannes	
	·Traitement des valeur ajoutees	

6. CADRE ADMINISTRATIF ET JURIDIQUE: Tutelle du MPARA, participation de l'Etat a 100 %.

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON OUI

argumentation: Si requise; a voir la charge a l'APB en ce qui concerne un diagnostique/plan de redressement pour la SOJUFA.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : SOMALAC
Societe Malagasy d'Amenagement du Lac Alaotra.
MINISTERE : MPARA
PRODUITS/SERVICES: Riz
ACTIVITES : Amenagement - Collecte - Transformation

TYPE D'ENTREPRISE : Societe d'Amenagement
FORME JURIDIQUE : Entreprise Socialiste

EVALUATION PAR CRITERE
.....

1. MISSION : Mixte; activites a vocation commerciale (rizerie) et a vocation non-commerciale (EIP,EAE)

2. TAILLE : Une des plus importantes entreprises parapubliques du secteur.

	1983	1984	1985
effectif - permanent	864	956	842
temporaire			
chiffre d'affaires	5,524	12,303	12,177
actif total	8,295	8,019	7,700
valeur ajoutee	1,296	1,316	2,209

3. VIABILITE : Volet rizerie viable; Volets EIP/EAE non-viables sans subventions de l'Etat sous forme de contrat-plans.

resultat d'exploitation (2)	783	1,089	1,369
fond de roulement	76	738	2,328
dette totale	(7,723)	(7,338)	(5,674)
situation nette (3)	572	681	2,026

4. IMPACT SUR LE TRESOR & LES BANQUES: Exigent des subventions continuelles pour financer les activites non-viables.

subventions		(647)	(2,167)
capitaux			
prets et avances (4)	(2,355)	385	1,664
impact net sur le tresor & les banques (5)	(2,355)	(262)	(503)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

	Riz
production des entreprises	
exportations du produit (% des exportations totales)	-
nombre de producteurs (6)	1400

b) Importance pour d'autres activites en amont et en aval : Importantes liaisons en amont avec les paysans-producteurs de produits base.

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise — Amenagement et transformation du : Riz
Importance Relative		
*** tres important	·Auto suffisance alimentaire	***
** important	·Production des huiles alimentaires vegetales	-
* assez important	·Expansion des exportations	-
	·Developper les exploitations paysannes	***
	·Traitement des valeur ajoutees	-

6. CADRE ADMINISTRATIF ET JURIDIQUE:

7. ACTIVITES BAILLEURS DE FONDS: Interventions du CCCE/FAC pour le financement d'intrants et d'equipements.

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — OUI

argumentation: Bien que compliquee par ses buts mixtes, commerciaux/non-comm une societe type de son genre et de son importance financiere exige une etude approfondie du point de vue systeme de suivi.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE

FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : SOMAPALM
Societe Malagasy pour le Palmier a huile.

MINISTERE : MPARA

PRODUITS/SERVICES: Regimes de palme - Huile de palme

ACTIVITES : Gestion, plantation, usine d'extraction d'huile brute, raffinerie d'huile alimentaire.

TYPE D'ENTREPRISE : Agro-industrie

FORME JURIDIQUE : Societe d'Economie Mixte.

EVALUATION PAR CRITERE

1. MISSION : Activites a vocation commerciale

2. TAILLE : Moyenne par rapport a l'echantillon sauf en matiere d'actif total, qui est assez important.

	1983	1984	1985
effectif - permanent	347	220	203 en 1986
temporaire			464 en 1986
chiffre d'affaires	360	323	
actif total	3,010	5,301	
valeur ajoutee	218	160	

3. VIABILITE : En principe viable, mais resultat d'exploitation et fonds de roulement negatifs exigeant des mesures de redressement d'urgence.

resultat d'exploitation (2)	(69)	(84)	
fond de roulement	(816)	(2,064)	
dette totale	(2,288)	(4,746)	
situation nette (3)	722	555	

4. IMPACT SUR LE TRESOR & LES BANQUES: Impact croissant et important. Exigerait un investissement pour le renouvellement de la plantation et d'un equipement complementaire pour la Raffinerie

subventions			
capitaux			
prets et avances (4)	(339)	(2,458)	
impact net sur le tresor & les banques (5)	(339)	(2,458)	

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

	Huile de palme
production des entreprises	
exportations du produit (% des exportations totales)	-
nombre de producteurs (6)	N.D.

b) Importance pour d'autres activites en amont et en aval : Activite integree verticalement : plantation/extraction de l'huile brute/raffinage de l'huile alimentaire.

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise: Huile de palme
Importance Relative		
*** tres important	-Auto suffisance alimentaire	*
** important	-Production des huiles alimentaires vegetales	***
* assez important	-Expansion des exportations	*
	-Developper les exploitations paysannes	*
	-Traitement des valeur ajoutees	***

6. CADRE ADMINISTRATIF ET JURIDIQUE: Participation de l'Etat a 66 % et de la BTM a 34 %; Tutelle MPARA.

7. ACTIVITES BAILLEURS DE FONDS: Intervention du FED sur le plan technique, aux operations de plantation et extraction d'huile brute.

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — OUI

argumentation: Caractere commercial et viabilite potentielle meritant une etude approfondie.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : SORIFEMA
Societe Rizicole et Feculiere Malagasy
MINISTERE : MPARA
PRODUITS/SERVICES: Riz, manioc, produits feculiers.
ACTIVITES : Riziculture, manioculture, activites agro-industrielles.
TYPE D'ENTREPRISE : Agro-industrie.
FORME JURIDIQUE : Societe d'Etat.

EVALUATION PAR CRITERE

1. MISSION : Activites a vocation commerciale.

2. TAILLE : Assez modeste sur le plan actif total; par rapport a l'echantillon assez important en ce qui concerne le c.a. et l'effectif. Valeur ajoutee relativement importante.

	1983	1984	1985
effectif - permanent	441	422	374
temporaire			
chiffre d'affaires	289	355	393
actif total	544	703	577
valeur ajoutee	88	147	74

3. VIABILITE : Viabilite potentielle, mais resultat d'exploitation negatif, pendant les trois dernieres annees.

resultat d'exploitation (2)	(109)	(100)	(169)
fond de roulement	220	179	47
dette totale	(235)	(243)	(297)
situation nette (3)	309	460	280

4. IMPACT SUR LE TRESOR & LES BANQUES: Impact assez modeste.

subventions capitaux	(31)	(248)	(21)
prets et avances (4)	(109)	(8)	(54)
impact net sur le tresor & les banques (5)	(140)	(256)	(75)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	Riz	Manioc
exportations du produit (% des exportations totales)	-	
nombre de producteurs (6)	1400	N.D. mais plusieurs

b) Importance pour d'autres activites en amont et en aval : Liaison en amont aux paysans-producteurs de matieres premieres. Transformation du riz et du manioc en fecule.

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise: Riz	Manioc/ produits feculiers
Importance Relative			
*** tres important	·Auto suffisance alimentaire	***	*
** important	·Production des huiles alimentaires vegetales	-	-
* assez important	·Expansion des exportations	-	*
	·Developper les exploitations paysannes	**	**
	·Traitement des valeur ajoutees	-	**

6. CADRE ADMINISTRATIF ET JURIDIQUE: Tutelle MPARA; Participation a 100 % de l'Etat. Cependant la decision a ete prise de "desengager" par la vente des actions a la SOMACODIS.

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — NON

argumentation: En vue du desengagement en cours, avec la participation de la SOMACODIS, a laisser par Coopers & Lybrand.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : SOTHEMAD
Societe Theicole de Madagascar.
MINISTERE : MPARA
PRODUITS/SERVICES: The
ACTIVITES : Culture, collecte, transformation

TYPE D'ENTREPRISE : Agro-industrie
FORME JURIDIQUE : Entreprise Socialiste

EVALUATION PAR CRITERE

1. MISSION : Activites a vocation commerciale

2. TAILLE : Assez modeste

	1983	1984	1985
effectif - permanent			186
temporaire			
chiffre d'affaires	157	51	142
actif total			1,195
valeur ajoutee			243

3. VIABILITE : En principe viable, mais exige des mesures de controle et de redressement etant donne le resultat d'exploitation negatif et la qualite des donnees financieres.

resultat d'exploitation (2)	(14)	(105)	(48)
fond de roulement			59
dette totale			84
situation nette (3)			1,111

4. IMPACT SUR LE TRESOR & LES BANQUES:

subventions			
capitaux			
prets et avances (4)			
impact net sur le tresor & les banques (5)			

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

	The
production des entreprises	
exportations du produit (% des exportations totales)	
nombre de producteurs (6)	N.D.

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise: The
Importance Relative		
*** tres important	-Auto suffisance alimentaire	-
** important	-Production des huiles alimentaires vegetales	-
* assez important	-Expansion des exportations	***
	-Developper les exploitations paysannes	**
	-Traitement des valeur ajoutees	**

6. CADRE ADMINISTRATIF ET JURIDIQUE: Reorganisation de l'OTS; participation a 100 % de l'Etat, mais decision a ete prise de vendre 49 % des actions.

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — OUI

argumentation: Vu la decision de "desengager" la SOTHEMAD, son caractere commercial et sa viabilite potentielle merite une etude plus approfondie.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : TOLY
TOLY
MINISTERE : MPARA
PRODUITS/SERVICES: Equipement agricole
ACTIVITES : Fabrication et reparation des materiels agricoles

TYPE D'ENTREPRISE : Industrie mecanique
FORME JURIDIQUE : Entreprise Socialiste

EVALUATION PAR CRITERE
---

1. MISSION : Activites a vocation commerciale et industrielle

2. TAILLE : Importante en matiere d'effectif et actif.
Valeur ajoutee negative.

	1983	1984	1985
effectif - permanent			
temporaire			
chiffre d'affaires	301	230	151
actif total	1,851	1,894	1,571
valeur ajoutee	93	(144)	(70)

3. VIABILITE : Non-viable sans restructuration totale.
En chomage technique depuis 1986.

resultat d'exploitation (2)	(407)	(640)	(661)
fond de roulement	(103)	(1,260)	(1,973)
dette totale	(1,264)	(2,249)	(2,806)
situation nette (3)	587	(355)	(1,235)

4. IMPACT SUR LE TRESOR & LES BANQUES: Impact potentiel important.

subventions			
capitaux			
prets et avances (4)	(462)	(985)	(557)
impact net sur le tresor & les banques (5)	(462)	(985)	(557)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	
exportations du produit (% des exportations totales)	Non-applicable
nombre de producteurs (6)	

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise: Materiels agricoles
Importance Relative	-Auto suffisance alimentaire	*
*** tres important	-Production des huiles alimentaires vegetales	*
** important	-Expansion des exportations	*
* assez important	-Developper les exploitations paysannes	**
	-Traitement des valeur ajoutees	*

6. CADRE ADMINISTRATIF ET JURIDIQUE: Participation a 100 % de l'Etat, mais negociation en cours avec Belin International pour le desengagement eventuel de la Societe

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — NON

argumentation: En vue des negociations en cours, a laisser.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

MPAEF ENTERPRISES

The following section of this appendix presents a series of standardised two-page analyses of the following enterprises under MPAEF tutelle.

AFA

BCL

FAFIFAMA

FAMAMA

FANALAMANGA

FESSA

FEV

LANSU

PNB

SECIAM

SEVIMA

SOFIRAC

SOMAPECHE

SOPEBO

FE OMBY

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : AFA
Abattoir Frigorifique d'Antananarivo.
MINISTERE : MPAEF
PRODUITS/SERVICES: Viandes
ACTIVITES : Abattage des animaux de boucherie et livraison des carcasses sur les etals des bouchers.
TYPE D'ENTREPRISE : Ferme d'Etat.
FORME JURIDIQUE : Etablissement Public a Caractere Industriel et Commercial

EVALUATION PAR CRITERE

1. MISSION : Societe de service a caractere commercial.

2. TAILLE : Petite entreprise
Etude recente pour le compte du FED.

	1983	1984	1985
effectif - permanent			104
temporaire			
chiffre d'affaires	140	135	115
actif total	558	503	433
valeur ajoutee	73	54	48

3. VIABILITE : Resultats negatifs/fond de roulement negatif (4x c.a.)/dette 8x c.a.;
Concurrence par l'abattage clandestin (influence le volume et les prix pour l'abattage);
Chute du c.a. depuis l'arret des exportations en 1982;
Charges trop lourdes pour les ativites actuelles.

resultat d'exploitation (2)	(89)	(78)	(82)
fond de roulement	(335)	(302)	(423)
dette totale	(884)	(864)	(852)
situation nette (3)	(326)	(361)	(419)

4. IMPACT SUR LE TRESOR & LES BANQUES: Peu d'injection recente.

subventions		
capitaux		
prets et avances (4)	20	13
impact net sur le tresor & les banques (5)	20	13

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	Elevage
exportations du produit (% des exportations totales)	1 %
nombre de producteurs (6)	1400

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise: Abattage/ livraison
Importance Relative	-Auto suffisance alimentaire	.
*** tres important	-Production des huiles alimentaires vegetales	.
** important	-Expansion des exportations	.
* assez important	-Developper les exploitations paysannes	**
	-Traitement des valeur ajoutees	**

6. CADRE ADMINISTRATIF ET JURIDIQUE: Participation directe de l'Etat a 100 %

7. ACTIVITES BAILLEURS DE FONDS: Intervention intensive de la FED
l'abattoir a ete construit avec son aide

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON OUI
argumentation: Serait interessant a suivre a cause de son caractere "service
mais voir avec la FED pour plus de precision.

Notes
(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : BCL
Bureau Central Laitier
MINISTERE : MPAEF
PRODUITS/SERVICES: Lait et ses derives.
ACTIVITES : Insemination et autres services dans le cadre de l'elevage laitier.

TYPE D'ENTREPRISE :
FORME JURIDIQUE : Societe d'Economie Mixte.

EVALUATION PAR CRITERE
.....

1. MISSION : Entite de service publique a but non-lucratif.

2. TAILLE : Plutot petite.

	1982
effectif - permanent	204
temporaire	
chiffre d'affaires	97
actif total	234
valeur ajoutee	10

3. VIABILITE : Reflete sa qualite non-lucratif.

resultat d'exploitation (2)	(65)
fond de roulement	47
dette totale	(150)
situation nette (3)	84

4. IMPACT SUR LE TRESOR & LES BANQUES: Petite subvention.

subventions	(23)
capitaux	
prets et avances (4)	(1)
impact net sur le tresor & les banques (5)	(24)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

	Elevage laitier
production des entreprises	
exportations du produit (% des exportations totales)	N.D.
nombre de producteurs (6)	1400

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise: Service laitier
Importance Relative	-Auto suffisance alimentaire	*
*** tres important	-Production des huiles alimentaires vegetales	.
** important	-Expansion des exportations	*
* assez important	-Developper les exploitations paysannes	***
	-Traitement des valeur ajoutees	.

6. CADRE ADMINISTRATIF ET JURIDIQUE: Participation directe et indirecte de l'Etat a 100 %
En cours de rehabilitation par le FAC (France)

7. ACTIVITES BAILLEURS DE FONDS: FAC

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON NON
argumentation: Petite entite non-commercial.

Notes
(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : FAFIFAMA
Fampivoarana ny Fiompiana amin'ny Faritra Andrefan'i Madagasikara.
MINISTERE : MPAEF
PRODUITS/SERVICES: Viandes
ACTIVITES : Abattoir, Commercialisation et Vulgarisation.

TYPE D'ENTREPRISE : Ferme d'Etat.
FORME JURIDIQUE : Etablissement Public a Caractere Industriel et Commercial.

EVALUATION PAR CRITERE

1. MISSION : But lucratif en partie, essentiellement exportation au debut.

2. TAILLE : Important mais en declin a cause de l'arret des exportations.

	1983	1984	1985
effectif · permanent		177	41
temporaire			
chiffre d'affaires	605	977	399
actif total	1,321	1,622	1,503
valeur ajoutee	(193)	(879)	(193)

3. VIABILITE : Resultat fortement negatif, dette tres lourde, non-viable s'il n'y a pas un regain d'activite (soit par l'exportation, soit par d ' autres mesures).

resultat d'exploitation (2)	(379)	(1,165)	(420)
fond de roulement	(519)	(1,874)	2,495
dette totale	(1,093)	(2,806)	(3,368)
situation nette (3)	228	(1,184)	(1,865)

4. IMPACT SUR LE TRESOR & LES BANQUES: Peu de subvention, impact important, mais en reduction au niveau des prets et avances.

subventions	(1)	(2)	(29)
capitaux		(31)	(100)
prets et avances (4)	(575)	(1,713)	(562)
impact net sur le tresor & les banques (5)	(576)	(1,746)	(691)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	Viandes
exportations du produit (% des exportations totales)	1 %
nombre de producteurs (6)	1400

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise: Abattoir	Commercialisation	Vulgarisation
Importance Relative	-Auto suffisance alimentaire	.	.	*
*** tres important	-Production des huiles alimentaires vegetales	.	.	.
** important	-Expansion des exportations	**	**	.
* assez important	-Developper les exploitations paysannes	*	*	***
	-Traitement des valeur ajoutees	.	.	.

6. CADRE ADMINISTRATIF ET JURIDIQUE: Participation directe de l'Etat a 100 %

7. ACTIVITES BAILLEURS DE FONDS: La Banque Mondiale assiste au financement
Le FED est en train d'etudier la rehabilitation technique.

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — NON
argumentation: A eliminer a cause de l'intervention de la Banque Mondiale.

Notes
(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : FAMAMA
Famokarana Mahabibo Malagasy
MINISTERE : MPAEF
PRODUITS/SERVICES: Noix de cajou
ACTIVITES : Rehabilitation et entretien des plantations d'anacardiers;
Collecte et exportation des noix de cajou.
TYPE D'ENTREPRISE : Ferme d'Etat.
FORME JURIDIQUE : Societe d'Economie Mixte.

EVALUATION PAR CRITERE

1. MISSION : Activite a but lucratif.
Construction d'une usine en cours dans le but d'augmenter la valeur ajoute.

2. TAILLE : Moyenne, appellee a s'agrandir avec le complexe agro-industriel en construction.

	1983	1984	1985
effectif - permanent			
temporaire			
chiffre d'affaires	114	106	127
actif total	610	861	841
valeur ajoutee	57	42	26

3. VIABILITE : Actuellement modeste, mais avec de bons potentiels si les debouches sont valides.

resultat d'exploitation (2)	(31)	(52)	(76)
fond de roulement	37	192	291
dette totale	(9)	(123)	(25)
situation nette (3)	601	738	816

4. IMPACT SUR LE TRESOR & LES BANQUES: Subventions en attendant le deblocage de la contrepartie BAD en 1987. Il s'agit de subventions d'investissement et non de fonctionnement.

subventions	(21)	(214)	(135)
capitaux			
prets et avances (4)		(114)	98
impact net sur le tresor & les banques (5)	(21)	(328)	(37)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

	Noix de cajou
production des entreprises	
exportations du produit (% des exportations totales)	
nombre de producteurs (6)	N.D.

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

Evaluation d'importance des activites

Activites de l'entreprise

GUIDE	Buts de la politique nationale:	Noix de cajou
Importance Relative	-Auto suffisance alimentaire	.
*** tres important	-Production des huiles alimentaires vegetales	*
** important	-Expansion des exportations	***
* assez important	-Developper les exploitations paysannes	***
	-Traitement des valeur ajoutees	.

6. CADRE ADMINISTRATIF ET JURIDIQUE:

Conversion de la F.E.en SEM en 1986;
Participation directe de l'Etat : 60 %;
Participation indirecte de l'Etat : 40 %.

7. ACTIVITES BAILLEURS DE FONDS:

Lourd financement de la BAD prochainement.

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON

OUI

argumentation:

Bon candidat pour le desengagement, vu le bon potentiel et le caractere commercial.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : FANALAMANGA
Fanjarian'Ala Ambatondrazaka-Moramanga.
MINISTERE : MPAEF
PRODUITS/SERVICES:
ACTIVITES : Plantation et entretien de pins.

TYPE D'ENTREPRISE : Societe d'Etat.
FORME JURIDIQUE : Societe d'Economie Mixte.

EVALUATION PAR CRITERE
---

1. MISSION : A but lucratif.

2. TAILLE : Enorme dans sa superficie et son actif.

	1983	1984	1985
effectif - permanent	1,595	1,636	1,655
temporaire			
chiffre d'affaires			
actif total	12,546	15,783	18,821
valeur ajoutee	(293)	(1,046)	(559)

3. VIABILITE : A voir.

resultat d'exploitation (2)			
fond de roulement	507	611	553
dette totale	(12,046)	(15,283)	(18,321)
situation nette (3)	500	500	500

4. IMPACT SUR LE TRESOR & LES BANQUES: Important au niveau des prets et avances a cause des investissements.

subventions			
capitaux			
prets et avances (4)	(2,103)	(3,237)	(3,038)
impact net sur le tresor & les banques (5)	(2,103)	(3,237)	(3,038)

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : FESSA
Ferme d'Etat Sericicole de la Sakay.

MINISTERE : MPAEF

PRODUITS/SERVICES: Production de cocons de soie, fillature, tissage de type artisanale;

ACTIVITES : Production de soies pour le besoin local et commercialisation en gros et detail.

TYPE D'ENTREPRISE : Ferme d'Etat.

FORME JURIDIQUE : Etablissement Public a Caractere Industriel et Commercial.

EVALUATION PAR CRITERE

1. MISSION : Activite a caractere purement commercial, actuellement pour consommation locale.

2. TAILLE : Tres petite.

	1979	1982	1986
effectif - permanent	27	27	
temporaire	156	156	
chiffre d'affaires	25	20	9
actif total	292	339	
valeur ajoutee			7

3. VIABILITE : Correcte; bon potentiel,si le marche d'exportation est developpe.

resultat d'exploitation (2)		(3)
fond de roulement	9	14
dette totale	75	67
situation nette (3)	217	272

4. IMPACT SUR LE TRESOR & LES BANQUES: Nul depuis 1982.
Subs. d'equip. 113 entre 1976 et 1982.

subventions	
capitaux	
prets et avances (4)	2
impact net sur le tresor & les banques (5)	2

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

	Soie
production des entreprises	
exportations du produit (% des exportations totales)	
nombre de producteurs (6)	N.D.

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

Evaluation d'importance des activites

Activites de l'entreprise

GUIDE	Buts de la politique nationale:	Soie
Importance Relative	-Auto suffisance alimentaire	-
*** tres important	-Production des huiles alimentaires vegetales	-
** important	-Expansion des exportations	**
* assez important	-Developper les exploitations paysannes	*
	-Traitement des valeur ajoutees	*

6. CADRE ADMINISTRATIF ET JURIDIQUE: Participation directe de l'Etat a 100 %.

7. ACTIVITES BAILLEURS DE FONDS: Aucun.

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — OUI

argumentation: Societe a but lucratif avec potentiel.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : FEV
Ferme d'Etat de Vohimasina.
MINISTERE : MPAEF
PRODUITS/SERVICES: Conserves de viandes, fruits et legumes (poivre vert)
ACTIVITES : Exportation de conserves de viandes, fruits et legumes;
Approvisionnement du marche interieur.
TYPE D'ENTREPRISE : Ferme d'Etat.
FORME JURIDIQUE : Etablissement Public a Caractere Industriel et Commercial.

EVALUATION PAR CRITERE

1. MISSION : Activite a but lucratif.
A perdu ses quota a cause de sa mauvaise viabilite.
Concentre ses activites sur le marche interieur.

2. TAILLE : Moyenne, tendant vers une reduction de ses activites.

	1982	1983	1984
effectif - permanent	180	200	
temporaire			
chiffre d'affaires	461	254	340
actif total	598	525	1,042
valeur ajoutee	(106)	(51)	(156)

3. VIABILITE : Mauvaise sur tout les indicateurs ci-dessous.

resultat d'exploitation (2)	(215)	(123)	(256)
fond de roulement	(408)	(575)	(619)
dette totale	(925)	(947)	(1,601)
situation nette (3)	(327)	(422)	(559)

4. IMPACT SUR LE TRESOR & LES BANQUES: Subventions petites, mais prets et avances en forte augmentation.

subventions			(10)
capitaux			(19)
prets et avances (4)	(290)	(22)	(654)
impact net sur le tresor & les banques (5)	(290)	(22)	(683)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	Viandes	Fruits,legumes
exportations du produit (% des exportations totales)	1 %	1 %
nombre de producteurs (6)	1400	N.D.

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise: Viandes	Fruits,legumes
Importance Relative	-Auto suffisance alimentaire	.	.
*** tres important	-Production des huiles alimentaires vegetales	.	.
** important	-Expansion des exportations	***	***
* assez important	-Developper les exploitations paysannes	.	.
	-Traitement des valeur ajoutees	***	***

6. CADRE ADMINISTRATIF ET JURIDIQUE: Etude du SERDI en vue d'un rachat ou d'une location gerance
Possibilite de fusion avec la SOFIRAC.

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — NON
argumentation: Entreprise peu viable avec negociation en cours.

Notes
(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	Langoustes
exportations du produit (% des exportations totales)	6 %
nombre de producteurs (6)	N.D.

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

Evaluation d'importance des activites

Activites de l'entreprise

GUIDE	Buts de la politique nationale:	Langoustes
Importance Relative	·Auto suffisance alimentaire	
*** tres important	·Production des huiles alimentaires vegetales	
** important	·Expansion des exportations	
* assez important	·Developper les exploitations paysannes	
	·Traitement des valeur ajoutees	

6. CADRE ADMINISTRATIF ET JURIDIQUE:

Participation directe et indirecte de l'Etat : 64 %;
Participation de l'Oratsimba A:16 %;
Cooperative de base : 20 %.

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION · PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — NON

argumentation: Petite societe tangente.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs · dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : PNB
Pecheries de Nosy-Be
MINISTERE : MPAEF
PRODUITS/SERVICES: Poissons/crevettes.
ACTIVITES : Peche et commercialisation.

TYPE D'ENTREPRISE : Societe.
FORME JURIDIQUE : Societe Anonyme.

EVALUATION PAR CRITERE

1. MISSION : But lucratif plutot dirige vers l'exportation.

2. TAILLE : Grande.

	1983	1984	1985
effectif - permanent	675		
temporaire			
chiffre d'affaires	3,555	4,279	4,975
actif total	2,833	8,302	9,388
valeur ajoutee	(132)	1,656	1,433

3. VIABILITE : Bons resultats d'exploitation; structure financiere a voir.

resultat d'exploitation (2)	816	943	455
fond de roulement	914	1,812	800
dette totale	(1,163)	(5,693)	(6,974)
situation nette (3)	1,670	2,609	2,414

4. IMPACT SUR LE TRESOR & LES BANQUES: Impact important mais en reduction au niveau des prets et avances.

subventions			
capitaux			
prets et avances (4)	(660)	(4,530)	(1,281)
impact net sur le tresor & les banques (5)	(660)	(4,530)	(1,281)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

	Poissons/crevettes
production des entreprises	
exportations du produit (% des exportations totales)	6 %
nombre de producteurs (6)	6

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

Evaluation d'importance des activites

Activites de l'entreprise

	Poissons/crevettes
Buts de la politique nationale:	
·Auto suffisance alimentaire	
·Production des huiles alimentaires vegetales	
·Expansion des exportations	
·Developper les exploitations paysannes	
·Traitement des valeur ajoutees	

GUIDE
Importance Relative
*** tres important
** important
* assez important

6. CADRE ADMINISTRATIF ET JURIDIQUE: Participation directe de l'Etat : 46 %; SOCOTA : 40 %; SFI : 10 %; Particuliers : 4 %.

7. ACTIVITES BAILLEURS DE FONDS: SFI (Societe Financiere Internationale).

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — NON

argumentation: Societe deja largement privatisee.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : SECIAM
Societe d'Exploitation du Complexe Industriel et Agricole de Morondava.

MINISTERE :

PRODUITS/SERVICES: Viandes.

ACTIVITES : Achat, abattage et transformation de viandes; Exportation de viandes desossees et congelees.

TYPE D'ENTREPRISE :

FORME JURIDIQUE : Societe Anonyme.

EVALUATION PAR CRITERE

1. MISSION : But lucratif. Exportation mais a arrete depuis 1985. Actuellement fournit le marche local.

2. TAILLE : Importante si en activite (exportation)

	1983	1984	1985
effectif - permanent			100
temporaire			
chiffre d'affaires	51	1,045	
actif total	585	1,116	
valeur ajoutee	42	(1,094)	

3. VIABILITE : En activite normale, les couts d'exploitation sont le double du C.A. Viabilite compromise.

resultat d'exploitation (2)	(46)	(1,391)
fond de roulement	(1,970)	(3,562)
dette totale	(2,390)	(4,360)
situation nette (3)	(1,805)	(3,240)

4. IMPACT SUR LE TRESOR & LES BANQUES: Important flux net en 1984.

subventions	(253)
capitaux	
prets et avances (4)	(1,970)
impact net sur le tresor & les banques (5)	(2,223)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	Viandes
exportations du produit (% des exportations totales)	1 %
nombre de producteurs (6)	1400

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise
Importance Relative		
*** tres important	·Auto suffisance alimentaire	.
** important	·Production des huiles alimentaires vegetales	.
* assez important	·Expansion des exportations	***
	·Developper les exploitations paysannes	**
	·Traitement des valeur ajoutees	**

6. CADRE ADMINISTRATIF ET JURIDIQUE: Participation de l'Etat : 51 %

7. ACTIVITES BAILLEURS DE FONDS: FED

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — OUI

argumentation: Tres grande entreprise a but lucratif en cours de rehabilitat avec l'aide du FED.
On la retient aussi parce qu'elle est representative de son s

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : SEVIMA
Societe d'Exploitation de la Viande a Madagascar.
MINISTERE : MPAEF
PRODUITS/SERVICES: Viandes, fruits, legumes.
ACTIVITES : Transformation, mise en conserves.

TYPE D'ENTREPRISE : Societe.
FORME JURIDIQUE : Societe d'Etat.

EVALUATION PAR CRITERE

1. MISSION : But lucratif - marche local et exportation.

2. TAILLE : Relativement importante.
La plus importante usine de conserve a Madagascar.

	1983	1984	1985
effectif - permanent	211	201	184
temporaire			
chiffre d'affaires	854	1,587	1,454
actif total	453	566	607
valeur ajoutee	123	98	118

3. VIABILITE : Resultat d'exploitation positif en 1985 (en depit de l'arret des exportations). Le probleme semble relever de la situation de la tresorerie (voir fond de roulement, dette,, situation nette).

resultat d'exploitation (2)	(43)	(64)	68
fond de roulement	(443)	(657)	(628)
dette totale	(847)	(1,183)	(1,210)
situation nette (3)	(394)	(617)	(603)

4. IMPACT SUR LE TRESOR & LES BANQUES: Une subventionen 1985 est a noter. En plus, il y a des sorties au niveau des prets et avances. Impact net relativement significatif.

subventions			(127)
capitaux			
prets et avances (4)	(32)	(336)	(27)
impact net sur le tresor & les banques (5)	(32)	(336)	(154)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	Viandes	Fruits/legumes
exportations du produit (% des exportations totales)	1 %	1 %
nombre de producteurs (6)	1400	N.D

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise: Viandes	Fruits/legumes
Importance Relative	·Auto suffisance alimentaire	.	.
*** tres important	·Production des huiles alimentaires vegetales	.	.
** important	·Expansion des exportations	***	***
* assez important	·Developper les exploitations paysannes	*	*
	·Traitement des valeur ajoutees	**	***

6. CADRE ADMINISTRATIF ET JURIDIQUE: Appartient au groupe SICE lequel est sous la tutelle du Ministere du Commerce.

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — NON

argumentation: Elimine parce qu'elle appartient au groupe SICE, un groupe sous la tutelle du Ministere du Commerce.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : SOFIRAC
Societe Fievet Ramoin et Compagnie.
MINISTERE : MPAEF
PRODUITS/SERVICES: Viandes, abats et sous-produits.
ACTIVITES : Abattage et exploitation de viandes; approvisionnement du marche local.
TYPE D'ENTREPRISE : Societe d'Etat.
FORME JURIDIQUE : Societe d'Etat (100 % depuis 1976)

EVALUATION PAR CRITERE

1. MISSION : But lucratif/exportation (maintenant arretee) et marche local.

2. TAILLE : Moyenne (effectif non disponible). Activite recente tres reduite suite a 1985 et le cumul des pertes.

	1981	1982	1983
effectif - permanent			
temporaire			
chiffre d'affaires	235	442	235
actif total	389	593	312
valeur ajoutee			(295)

3. VIABILITE : Resultat d'exploitation negatif meme avant l'arret des exportations en 1985.

resultat d'exploitation (2)	(50)	(50)	(41)
fond de roulement	(418)	(259)	(599)
dette totale	(743)	(1,046)	(724)
situation nette (3)	(354)	(453)	(412)

4. IMPACT SUR LE TRESOR & LES BANQUES: Pas de subvention. Impact net insignifiant sur la periode.

subventions			
capitaux			
prets et avances (4)	64	(303)	322
impact net sur le tresor & les banques (5)	64	(303)	322

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	Viandes
exportations du produit (% des exportations totales)	1 %
nombre de producteurs (6)	1400

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

Evaluation d'importance des activites

GUIDE	Buts de la politique nationale:	Activites de l'entreprise
Importance Relative	-Auto suffisance alimentaire	.
*** tres important	-Production des huiles alimentaires vegetales	.
** important	-Expansion des exportations	.
* assez important	-Developper les exploitations paysannes	**
	-Traitement des valeur ajoutees	*

6. CADRE ADMINISTRATIF ET JURIDIQUE: Litige concernant l'actionnariat en cours; Administration et comite de gestion provisoire en attendant.

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — NON

argumentation: A cause de l'incertitude concernant les actions.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : SOMAPECHE
Societe Malgache de Pecherie.
MINISTERE : MPAEF
PRODUITS/SERVICES: Crevettes et poissons.
ACTIVITES : Peche industrielle et commercialisation.

TYPE D'ENTREPRISE : Societe.
FORME JURIDIQUE : Societe Anonyme.

EVALUATION PAR CRITERE

1. MISSION : A but lucratif pour l'exportation, mais fournit aussi le marche local.

2. TAILLE : Importante.

	1983	1984	1985
effectif - permanent			
temporaire			
chiffre d'affaires	5,739	5,340	5,132
actif total	5,986	5,389	7,281
valeur ajoutee			4,212

3. VIABILITE : Plutot bonne (mais a noter la chute du resultat en 1985)

resultat d'exploitation (2)	2,507	1,215	450
fond de roulement	2,255	1,023	1,751
dette totale	(3,366)	(4,041)	(6,157)
situation nette (3)	2,620	1,348	1,124

4. IMPACT SUR LE TRESOR & LES BANQUES: Pas de subvention mais importantes sorties au niveau des prets et avances.

subventions			
capitaux			
prets et avances (4)	(1,716)	(675)	(2,116)
impact net sur le tresor & les banques (5)	(1,716)	(675)	(2,116)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

	Poissons/crevettes
production des entreprises	
exportations du produit (% des exportations totales)	6 %
nombre de producteurs (6)	6

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

Evaluation d'importance des activites

Activites de l'entreprise

GUIDE	Buts de la politique nationale:	Poissons/crevettes
Importance Relative	-Auto suffisance alimentaire	
*** tres important	-Production des huiles alimentaires vegetales	
** important	-Expansion des exportations	
* assez important	-Developper les exploitations paysannes	
	-Traitement des valeur ajoutees	

6. CADRE ADMINISTRATIF ET JURIDIQUE:

Participation directe et indirecte de l'Etat : 32,85 %
Taiylo : 35 % ; particuliers : 1,65 % ;
Codal (societe privee ayant d'autres activites) : 20,5 %;

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — NON

argumentation: Societe prive

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : SOPEBO
Societe de Pecherie du Boina.
MINISTERE : MPAEF
PRODUITS/SERVICES: Poissons et crevettes.
ACTIVITES : Peche de crevettes et poissons dans les eaux territoriales malgaches.
TYPE D'ENTREPRISE : Societe commerciale.
FORME JURIDIQUE : Societe Anonyme.

EVALUATION PAR CRITERE

1. MISSION : But lucratif plutot dirige vers l'exportation.

2. TAILLE : Moyenne, tendant vers une plus grande importance.

	1982	1983
effectif - permanent		128
temporaire		
chiffre d'affaires	756	1,162
actif total	664	2,969
valeur ajoutee	227	517

3. VIABILITE : Viabilite tangente mais handicape par une sous-capitalisation des son depart en 1982.

resultat d'exploitation (2)	253	(44)
fond de roulement	(1,109)	(948)
dette totale	(1,539)	(2,284)
situation nette (3)	(875)	685

4. IMPACT SUR LE TRESOR & LES BANQUES: Pas de subvention. Flux moyen sur la periode au niveau des prets et avances.

subventions	
capitaux	
prets et avances (4)	(745)
impact net sur le tresor & les banques (5)	(745)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

	Poissons/crevettes
production des entreprises	
exportations du produit (% des exportations totales)	6
nombre de producteurs (6)	6

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

Evaluation d'importance des activites

Activites de l'entreprise

GUIDE	Buts de la politique nationale:	Poissons/crevettes
Importance Relative	·Auto suffisance alimentaire	
*** tres important	·Production des huiles alimentaires vegetales	
** important	·Expansion des exportations	
* assez important	·Developper les exploitations paysannes	
	·Traitement des valeur ajoutees	

6. CADRE ADMINISTRATIF ET JURIDIQUE: Participation directe de l'Etat ; 50,9 %;
SOMAPECHE : 49,1 % (dont 32,85 % a l'Etat)

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — OUI

argumentation: Societe de moyenne taille representative de son secteur.

Notes

(1) Tout montant en millions de FMG; le defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

PHASE 2 : EVALUATION PRELIMINAIRE
FICHE D'EVALUATION SUR L'ENTREPRISE (1)

RAISON SOCIALE : F.E.O.
Ferme d'Etat Omby.
MINISTERE : MPAEF
PRODUITS/SERVICES: Embouche bovine, riz.
ACTIVITES : Elevage bovin - riziculture;
Developpement rural.
TYPE D'ENTREPRISE : Ferme d'Etat.
FORME JURIDIQUE : Etablissement Public a Caractere Industriel et Commercial.

EVALUATION PAR CRITERE

1. MISSION : Actuellement a but mixte :
Bovine (53 %) et riz (32%) : a but lucratif;
Developpement rural (14 %) : non-lucratif.

2. TAILLE : Tres importante dans sa superficie et dans son actif.

	1981	1982	1985
effectif - permanent	700	590	131
temporaire			
chiffre d'affaires	867	514	396
actif total	1,187	1,251	1,034
valeur ajoutee	(31)	193	(45)

3. VIABILITE : Peu certaine actuellement mais pourrait s'ameliorer en definissant mieux les responsabilites commerciales de l'entreprise (voir activite de developpement rural)

resultat d'exploitation (2)	(262)	(247)	(390)
fond de roulement	(2,564)	(2,340)	(2,467)
dette totale	(4,277)	(4,316)	(5,057)
situation nette (3)	(3,090)	(3,065)	(4,307)

4. IMPACT SUR LE TRESOR & LES BANQUES: Moyenne et en diminution.

subventions	(119)	(217)	(54)
capitaux	(44)		
prets et avances (4)	(152)	(39)	
impact net sur le tresor & les banques (5)	(315)	(256)	(54)

5. IMPORTANCE STRATEGIQUE

a) Importance du secteur de l'entreprise:

production des entreprises	Riz	Elevage bovin
exportations du produit (% des exportations totales)		
nombre de producteurs (6)	1400	1400

b) Importance pour d'autres activites en amont et en aval :

c) Relation de l'entreprise avec les buts de la politique nationale :

GUIDE Importance Relative *** tres important ** important * assez important	Buts de la politique nationale:	Evaluation d'importance des activites — Activites de l'entreprise: Riz	Elevage bovin
	·Auto suffisance alimentaire	***	*
	·Production des huiles alimentaires vegetales	.	.
	·Expansion des exportations	.	*
	·Developper les exploitations paysannes	***	***
	·Traitement des valeur ajoutees	.	.

6. CADRE ADMINISTRATIF ET JURIDIQUE: Etat : 100 %.

7. ACTIVITES BAILLEURS DE FONDS:

8. OPINION - PROCEDER A L'ETUDE APPROFONDIE: OUI OU NON — OUI

argumentation: Interessant pour suivi parce que tres grande et pouvant servir pour illustrer la gestion d'une mission mixte.

Notes

(1) Tout montant en millions de FMG; ie defavorable entre parentheses
(2) Benefice d'exploitation hors charges, produits financiers et subventions
(3) Situation nette apres affectation du resultat de l'exercise (c.a.d. situation nette = actifs - dettes)
(4) Presume (en se rendant compte que ces chiffres incluent les fournisseurs, entre autres)
(5) Impact net sur le Tresor et les banques hors impots et taxes
(6) En milliers

Appendix F

MONITORING SYSTEM

1. Introduction

The Terms of Reference required us to "take the necessary steps to establish and/or strengthen standardised systems of financial reporting and performance monitoring for parastatal enterprises." During Phase I of this assignment, we collected data and information on the current monitoring system at both ministry and enterprise level, and described the proposed improvements in the monitoring system and the steps required to establish them.

The objective of this appendix is therefore to define the role of monitoring parastatal enterprises within the two ministries of tutelle, and to propose improvements both within the ministries themselves and within the enterprises which they supervise. Implementation of our recommendations is planned for Phase II of this project.

2. Limits of the Study

In the longer run, the primary objective of improving ministerial monitoring of public enterprises is to improve resource allocation and especially to modify and improve the control of public expenditure. In this context, it is important to understand that direct control of public expenditure and the role of the ministries of tutelle are only tenuously linked. In essence, the process of agreeing on enterprise budgets and absorbing those budgets into the overall ministry budget for a given year is the only point at which the ministries of tutelle make a direct contribution to public expenditure decisions. Draft ministerial budgets are submitted to the Ministry of Finance, (and to the DG du Plan), and the Ministry of Finance grants an "envelope" of funding to the ministries of tutelle within which allocations to public enterprises have to be made by the technical ministries concerned.

In public expenditure control terms, and also in the day-to-day exercise of State control of public enterprises there are many other influences outside those exercised by the ministries of tutelle. Most important amongst these are the following:

(i) The DG du Plan, which ensures that enterprise development programmes are consistent wich overall national objectives.

(ii) The Ministry of Finance, which has overall budgetary responsibility and in effect controls the level of ministerial budgets and thereby the level of public enterprise budgets.

(iii) The Chambre des Comptes de la Court Supreme, in effect, the Government auditor, which exercises a posteriori control

on Societes d'Economie Mixte, (SEM), Societes d'Interet National, (SIN), Societes d'Etat, (SE), and Etablissements Publics a Caractere Industriel et Commercial (EPIC).

(iv) Public Accountants, as the appointed auditors, which are appointed to Societes Anonymes, (SA), SEMs, and SEs, and are charged with regular and statutory audit duties.

(v) Government Commissars, especially with regard to SEMs, SINs, EPICs and other public entities, with particular responsibilties for public accountability and financial control, and who have widespread executive powers. Commissars are appointed by the President of the Republic, and have direct financial control of EPICs and the right to oppose decisions taken by the Conseils d'Administration. In SEMs, they have wide powers, including the power of veto at company meetings (subject to written confirmation by the Head of the Government and the appropriate ministries.) In SINs, the Commissars have unspecified powers, but in particular can receive direct instructions from the Government to intervene in any aspect of an enterprise's affairs.

(vi) The General Inspectorate of the State. which comes directly under the President of the Republic who has at his disposal a body of State Inspectors and State Controllers. The Inspectorate is charged with "safeguarding the State's interests" and "ensuring that laws and rules governing the administrative, economic and financial sectors are applied." The rights of investigation by State Inspectors and Controllers in the public enterprises under their control is subject to no specified restriction.

In addition to these organisations, mention should be made of the role of the Central Bank in allocating foreign exchange to importing companies, and of the Ministry of Commerce which also has a role in foreign exchange allocation as well as in the imposition of price control and other commercial regulations. Other important controls are exercised by the Ministry of Labour, notably insofar as the rules governing recruitment and the ability of employers to lay off workers are concerned.

In general, financial control of public enterprises is covered in a number of specific decrees which, inter alia:

- apply to enterprise budgets, as well as to special accounts, extra-budgetary and extra-treasury accounts, foreign aid and borrowings;

- specify that financial control is exercised by the President of the Republic himself or by one of his designated agents;

- specify that financial controllers may be either the Government Commissar, a controlling body which is part of the State, or any other controlling body which the Government decides to designate;

- specify that the content of financial control can be decided at any time by special instruction of the President of the Republic, and may include audit functions, any special studies required, and the production of specific reports to the appropriate ministries on the overall financial and/or economic situation of any public or semi-public body in Madagascar.

It is clear that within the context of the present study, a review of monitoring procedures within the two ministries of tutelle and the enterprises under their supervision can be expected to have only a limited impact on the wider issue of the effective control of public finance and public expenditure within the agricultural parastatal sector.

Equally, it is clearly well beyond the scope of this study to consider the legal and organisational aspects of the general level of State control and intervention with respect to the parastatal sector. We believe that a fundamental reform of State control of public enterprises may be required, perhaps by means of creating an entirely new organisation with general responsibilities for managing the State's portfolio of investments in parastatal enterprises. Such an approach would imply major reforms in areas of Government which fall outside our Terms of Reference. We merely wish to illustrate the point that a wider view has to be taken than simply that restricted to the ministries of tutelle if a real impact on improving public financial management in the parastatal sector is to be made.

Specifically therefore, this study of monitoring procedures has the central objective of improving the liaison and interchange of performance and financial data between MPARA and MPAEF on the one hand, and the enterprises under their tutelle on the other. On this basis, the remainder of this appendix is set out under the following main headings:

Enterprise classification

Current monitoring system
- MPARA
- MPAEF

Current ministerial organisation
- MPARA
- MPAEF

Assessment of key problems
- within the ministries
- within the enterprises
- monitoring and Conseils d'Administration
- within the Ministry of Finance

Proposed monitoring system reform
- general principles

- performance contracts
- reforms within the ministries
- reforms within the enterprises

Standardised system of financial reporting.

In addition, we present two supplements to this appendix, namely;

1. Detailed analysis of MPARA service functions.

2. Case Studies for monitoring
   - SOMALAC
   - SOAMA
   - FE OMBY.

3. Enterprise Classification

The principles of monitoring by the ministries of tutelle refer to all 34 enterprises identified in Appendix B. These enterprises are constituted in various different legal forms, and it is instructive to note the legal provisions within Madagascan law which define the role of tutelle by the ministries. These are listed below, and a presentation is also made of the normal practice where this diverges from what is legally specified. (A more detailed treatment is given in Appendix H Legal Structures.)

Type of Enterprise	Legal Provision	Normal Practice
Entreprise Socialiste	No tutelle in law	Technical tutelle
Societe d'Economie Mixte	Ministry of tutelle looks after State interest	Ministry tutelle
Societe d'Interet National	No tutelle provided for in law	Technical tutelle provided by ministries of tutelle; Ministry of Finance provides financial tutelle
Societes d'Etat	No tutelle provided for in law	Technical tutelle by ministries
Societes Anonymes	No tutelle	No tutelle
EPIC	Technical monitoring by ministries of tutelle.	Technical tutelle

According to the law therefore, only Societes d'Economie Mixte are subject to full monitoring control by the ministries of tutelle themselves.

The 34 entreprises covered in this study may conveniently be divided into two main categories; those which have essentially profit objectives, and those which have mixed commercial/social, or entirely social objectives. The following table presents this classification, together with the legal form of each enterprise, their ministry of tutelle, and the legal provisions of tutelle described above.

Table F1: Classification of Enterprises by Objective

Enterprise	Ministry	Legal Form	Tutelle in Law
A. Enterprises with Social or mixed Social/Commercial Objectives			
BCL	MPAEF	SEM	Ministry tutelle
F. E. OMBY	MPAEF	EPIC	Technical tutelle
FIFABE	MPARA	ES	No tutelle in law
HASYMA	MPARA	SA	No tutelle in law
MAMISOA	MPARA	ES	No tutelle in law
OFMATA	MPARA	EPIC	Technical tutelle
SAMANGOKY	MPARA	SEM	Ministry tutelle
SOAMA	MPARA	SE	De facto tutelle
SODEMO	MPARA	SEM	Ministry tutelle
SOMALAC	MPARA	ES	No tutelle in law
B. Enterprises with Commercial Objectives			
AAA	MPARA	ES	No tutelle in law
AFA	MPAEF	EPIC	Technical tutelle
EEDR	MPARA	ES	No tutelle in law
FAFIFAMA	MPAEF	EPIC	Technical tutelle
FAMAMA	MPAEF	SEM	Ministry tutelle
FANALAMANGA	MPAEF	SEM	Ministry tutelle (A)
F.E. BETAMPONA	MPARA	EPIC	Technical tutelle
FESSA	MPAEF	EPIC	Technical tutelle
FEV	MPAEF	EPIC	Technical tutelle
LANSU	MPAEF	ES	No tutelle in law
MAHAFASA	MPARA	EPIC	Technical tutelle
PNB*	MPAEF	SA	No tutelle
SECIAM	MPAEF	SA	No tutelle
SEVIMA	MPAEF	SE	De facto tutelle
SINPA	MPARA	SIN	De facto tutelle
SOAVANIO	MPARA	SE	De facto tutelle
SOFIRAC*	MPAEF	SA	No tutelle
SOJUFA	MPARA	SEM	Ministry tutelle
SOMAPALM	MPARA	SEM	Ministry tutelle
SOMAPECHE*	MPAEF	SA	No tutelle
SOPEBO	MPAEF	SA	No tutelle
SORIFEMA	MPARA	SE	De facto tutelle
SOTHEMAD	MPARA	ES	No tutelle in law
TOLY	MPARA	ES	No tutelle in law

* Enterprises where the State does not have a majority shareholding.

(A) Financial tutelle by the Ministry of Finance.

There are a number of points to note from this presentation:

- there is no apparent correlation between the enterprises' objectives, their legal status, and the tutelle provided for in law;

- where no tutelle is provided for in law, ministries still believe they have a monitoring role - as do other ministries, such as the Ministry of Finance;

- this lack of definitional clarity is in part responsible for the substantial confusion that exists in the ministries and the enterprises about the respective responsibilities of each party as far as monitoring and reporting are concerned.

4. Current Monitoring System

4.1 MPARA

The broad principles of the current monitoring system within MPARA are described in the following paragraphs.

(i) Budgeting

Each "service" and "direction" within MPARA prepares its individual budget estimates for the next financial year on an annual basis under 10 standard headings:

- Planning and Coordination;
- Rice Development;
- Oil Products Development;
- Export Crop Development;
- Industrial Crop Development;
- Food Crop Development;
- Tree Crop Development;
- Quality control and Plant Protection;
- Rural Management;
- Other.

These estimates are consolidated by the Direction des Finances et de la Programmation, submitted to the Minister for approval, and passed to the Ministry of Finance for consolidation into the national budget. (The Ministry of Finance issues the budget headings and the rules to be followed in preparing the estimates.)

In consolidating the budget, the Ministry of Finance grants an "envelope" of finance to each ministry, and MPARA, having been informed of its allocation, makes its own internal adjustments to budget allocations, suppressing or modifying programmes for which finance has not been granted.

(ii) Monitoring Procedures

MPARA defines its role as a monitoring organisation as follows:

> "control of and advice to the enterprises for the management and development of their activities".

The principles which should be adhered to by the enterprises and by the ministry are as follows:

- Enterprises should submit an action plan which in most cases is annual, and which consists of (a) a statement of objectives and policy by activity covering strategy, what is planned and how it is to be achieved, and what resources in terms of staff, investment, equipment and so forth will be needed, and (b) a statement of the funding required, including draft budgets, operating accounts by activity, and a 12 month financing plan, - in effect a cash flow forecast.

MPARA then meets the Director General of the enterprise concerned where the details of the plan are discussed, amended as necessary, and agreed. Enterprises should then adjust their budgets, and MPARA would either submit them to the DG du Plan for approval within national policy priorities, or in some cases MPARA would deal directly with key aid agencies involved in funding a given enterprises or project. Given the approval of budgets and plans by all relevant parties, the Ministry of Finance would discuss with MPARA budget allocations, which would then be consolidated into the ministerial budgeting system described above.

In theory, enterprises are required to submit regular (annual and quarterly) reports on the results achieved, which should then be examined by the Direction des Finances et de la Programmation, (DEFP.) The DEFP would then provide a commentary to the Minister and submit suggestions and recommendations to the enterprises concerned.

Enterprises normally also submit annual accounts. In the case where an enterprise is other than an Entreprise Socialiste, the enterprise contacts the Minister for him to designate someone from MPARA to attend the Annual General Meeting or equivalent shareholders meeting.

4.2 MPAEF

Within MPAEF, budgetary procedures essentially reflect the same model and approach as described for MPARA.

The organisation of monitoring in MPAEF is somewhat different. In principle, annual reports should be submitted to the ministry by all enterprises under MPAEF tutelle, except in two cases, FANALAMANGA and FAMAMA, which should submit quarterly reports. These should include financial summaries, and an evaluation of the variances between the agreed budgets and the outturn for each activity. Only in rare cases does the submission of information include balance sheets and financial statements.

The use made by MPAEF of these reports, which are far from the regular reporting system that should in theory take place, is variable. In some cases, results are analysed and comments passed to the Minister. In practice, we were informed that the content of many reports is inadequate for any serious analysis to take place. Also, comments which are passed to the relevant sections and directions within the ministry are often not acted upon. In particular, liaison and communications between the ministry and the enterprises is sporadic and there is often little feedback of information.

There is also no systematic debate between the ministry and the enterprises under its tutelle, except in cases where, for example, an enterprise may find its funding blocked and makes a direct appeal to MPAEF to intervene on its behalf.

In general within MPAEF, it is felt that enterprises have very little capacity to produce the data necessary for the ministries to discharge their monitoring functions. There is also no agreed framework within MPAEF to ensure that monitoring is systematically carried out. In cases where enterprises fail to produce the required information, and despite the fact that in theory MPAEF has the power to insist on the provision of such data, it appears that follow-up is rare and there are examples of enterprises that have submitted no information for several years. As the following section describes in more detail, there are significant organisational problems within the ministry which inhibit an efficient monitoring function, and there have been instances when one section of the ministry has declined to release files to another section to permit even limited analysis and monitoring to take place.

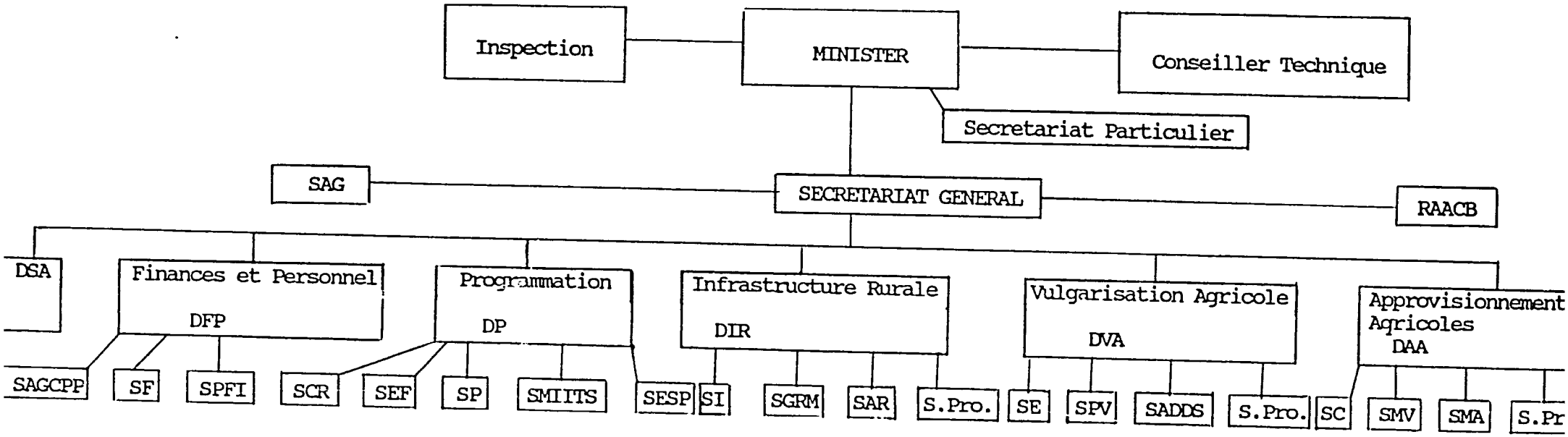
5. Current Ministerial Organisation

5.1 MPARA

As will be evident in the organisation chart on the next page, MPARA is presently divided into six different operating divisions, all of which have direct or indirect interest in parastatal enterprise performance. (A description of the responsibilities of various MPARA services is included in a supplement to this annexe.)

Within the Direction Financiere et Personnel (DFP), MPARA has set up a discreet "Service d'Appui a la Gestion et du Controle Parapublique, (SAGCPP). The SAGCPP is in fact intended to be the central monitoring arm of the ministry for parastatal enterprises. Staffed with 15 people, it is divided into five divisions each responsible for following roughly 4 enterprises each. In policy terms, SAGCPP's function is to serve as the ministry's key resource for decision-making with regard to public enterprises, informing ministry authorities on parastatal performance and providing the enterprises with management and financial advice. Accordingly, SAGCPP receives the reports, (annual and trimestrial), and balance sheets submitted by the enterprises, analyses these data and provides comments to other sections of the ministry.

ORGANISATION CHART - MPARA



SAG = SERVICE DE L'ADMINISTRATION GENERALE
RAACO = SERVICE DE LA REFORME AGRAIRE ET DE L'ASSISTANCE AUX COOPERATIVES
SIC = SERVICE DE L'INFORMATION ET DE LA COMMUNICATION
DP = DIRECTION DE LA PROGRAMMATION
SCR = SERVICE COORDINATION DE SECTEUR RIZ
SEE = SERVICE DES ETUDES ECONOMIQUES
SP = SERVICE DE LA PROGRAMMATION
SMITIS = SERVICE DE LA METHODOLOGIE ET DU TRAITEMENT DES DONNEES STATISTIQUES
SESP = SERVICE D'EVALUATION ET DU SUIVI DES PROJETS
DIR = DIRECTION DE L'INFRASTRUCTURE RURALE
SGRH = SERVICE DE GESTION DES RESEAUX HYDRAULIQUES
SAR = SERVICE DE L'AMENAGEMENT RURAL
Sce Prov = SERVICE PROVINCIAL
DFP = DIRECTION FINANCIERE ET DU PERSONNEL
SAGCPP = SERVICE D'APPUI A LA GESTION ET DU CONTROLE DU PARA-PUBLIC
SF = SERVICE FINANCIER
SPFI = SERVICE DU PERSONNEL ET DE LA FORMATION INTERNE
DVA = DIRECTION DE LQ VULGARISATION AGRICOLE
SE = SERVICE DE L'ENCADREMENT
SPV = SERVICE DE LA PROTECTION DES VEGETAUX
SACDSLR = SERVICE D'APPUI, DE COLLECTE DES DONNEES STATISTIQUES ET LIQISONS AVEC LA RECHERCHE
DAA = DIRECTION DES APPROVISIONNEMENTS AGRICOLES
SC = SERVICE DE LA COMMERCIALISATION

SMV = SERVICE DE LA PRODUCTION DES SEMENCES ET DU MATERIEL VEGETAL
SMA = SERVICE DES MACHINISME AGRICOLE ET DE L'EQUIPEMENT DES EXPLOITATIONS

Other units within DFP are also in contact with the public enterprises. These include the Service Financier, (SF), which is responsible for budgeting and monitoring MPARA expenditures, and the Service du Personnel et de la Formation Interne, (SPFI). The former has recently instituted a "Programme Budget" which requires a lengthy submission of projected expenditures by the enterprises under MPARA tutelle. This requirement is instituted independently of SAGCPP, and is even imposed upon MPARA enterprises which receive no subsidy from the ministry. SF is also concerned with the budgeting and expenditure of such subsidies as are allocated to public enterprises. SPFI has minimal contact with public enterprises, as it is concerned with personnel matters in the public bureaucracy. It does however monitor personnel issues for those enterprises, (eg OFMATA) with public servants on the payroll.

The Direction de la Programmation (DP) is responsible for project planning and evaluation within MPARA. Its Service d'Evaluation et du Suivi des Projets, (SESP), performs progress appraisal of projects mid-term and end-of-project in which MPARA is involved, including those projects where enterprises under tutelle are acting as implementing agencies. Similarly, the Service de la Programmation (SP) is responsible for identification of MPARA-sponsored projects, and for the preparation of project dossiers. It also acts to develop and manage funding requests submitted to international donors, including requests involving MPARA public enterprises. DP also encompasses a Service de la Methodologie et du Traitement des Donnees Statistiques (SMTDS). This unit is responsible for computerising, among others, statistics drawn from reports submitted by enterprises under MPARA tutelle. Reportedly, SMTDS works largely through SAGCPP rather than going directly to the enterprises. Other entities in DP - namely the Service Coordination du Secteur Riz, and the Service des Etudes Economiques - normally have only ad hoc contact with state enterprises.

In practical terms, three technical directions of MPARA are involved in regular monitoring of public enterprises:

- Direction de l'Infrastructure Rurale (DIR), is concerned with development and maintenance of irrigation systems and related rural works. In this capacity DIR writes and manages MPARA contracts with various Societes d'Amenagement, (SOAMA, SOMALAC etc), which pay the latter for services designed to ensure the upkeep and operation of irrigation works and other rural infrastructure.

- Direction de la Vulgarisation Agricole (DVA) is responsible for extension services, farmer training, plant protection services and related activities. As with DIR, it undertakes formal contracts with various Societes d'Amenagement to compensate the latter for the performance of such services within their geographical area of responsibility. The Service d'Appui, de Collecte de Donnees Statistiques et Liaisons avec la Recherche section in DVA is in particular involved in technical monitoring of enterprise performance.

- Direction des Approvisionnements Agricoles (DAA) oversees supply and distribution of agricultural inputs, including planting materials and equipment services. As such it is also involved with public enterprises, especially the Societes d'Amenagement.

A sixth major agency of MPARA - the Direction de la Securite Alimentaire, created in 1986 - has not figured heavily to date in monitoring MPARA enterprises, but given its mandate will presumably expand contacts with several enterprises, (eg SINPA, Societes d'Amenagement), as it becomes better established.

It should be emphasised that MPARA contacts with parastatal enterprises are not limited to the formal or ad hoc monitoring activities conducted by the various Directions and Services. Particularly important is the fact that various MPARA Directeurs, Chefs de Service and Chefs de Division sit as legally-designated members of enterprise Conseils d'Administration. Moreover, these individuals are often complemented by still other MPARA staff who take part in the annual general meetings of enterprises, attending as the representatives of the MPARA minister. Hence these memberships in Conseils and annual general meetings afford MPARA additional opportunities to gather information on enterprise performance.

5.2 MPAEF

Reference should be made to the MPAEF organisation chart on the next page.

The monitoring function within MPAEF is split between a total of five different sections as described below.

Within the Cabinet du Ministre the Bureau Organisation et Communication is responsible for:

- carrying out all necessary organisational functions, notably matters concerned with the organisational structure of the ministry and its management procedures;

- planning and implementing computer installations:

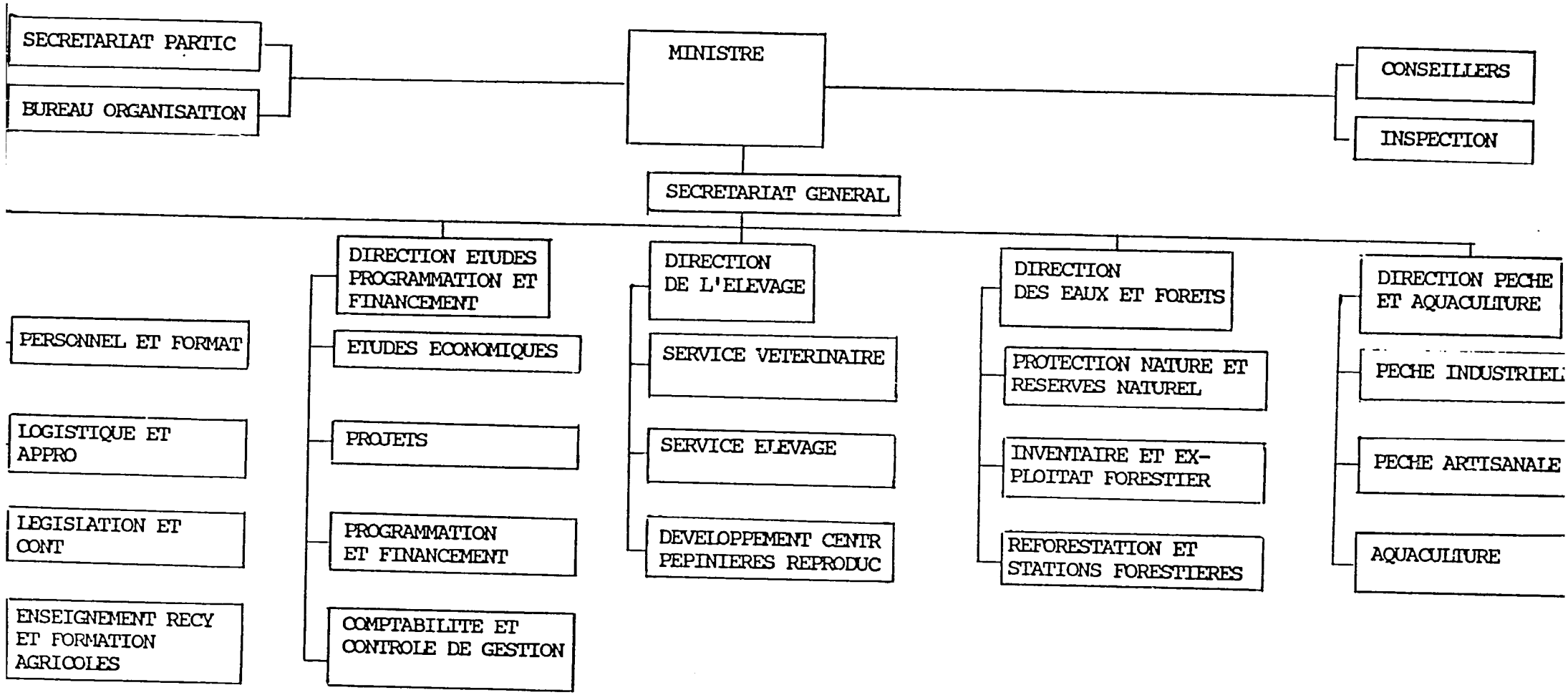
- taking care of external relations with embassies, consultants and so on.

Within the three Directions Techniques, (Elevage, Eaux et Forets, Peche et Aquaculture), there is in each case a "Division Appui, Suivi et Statistique" (DASS.) These three divisions have identical responsibilties within their technical areas:

- monitoring the financial management plans and technical management of State enterprises and "Operations classiques;"

- establishing a monthly monitoring system for "elements of

ORGANISATION CHART - MPAEF



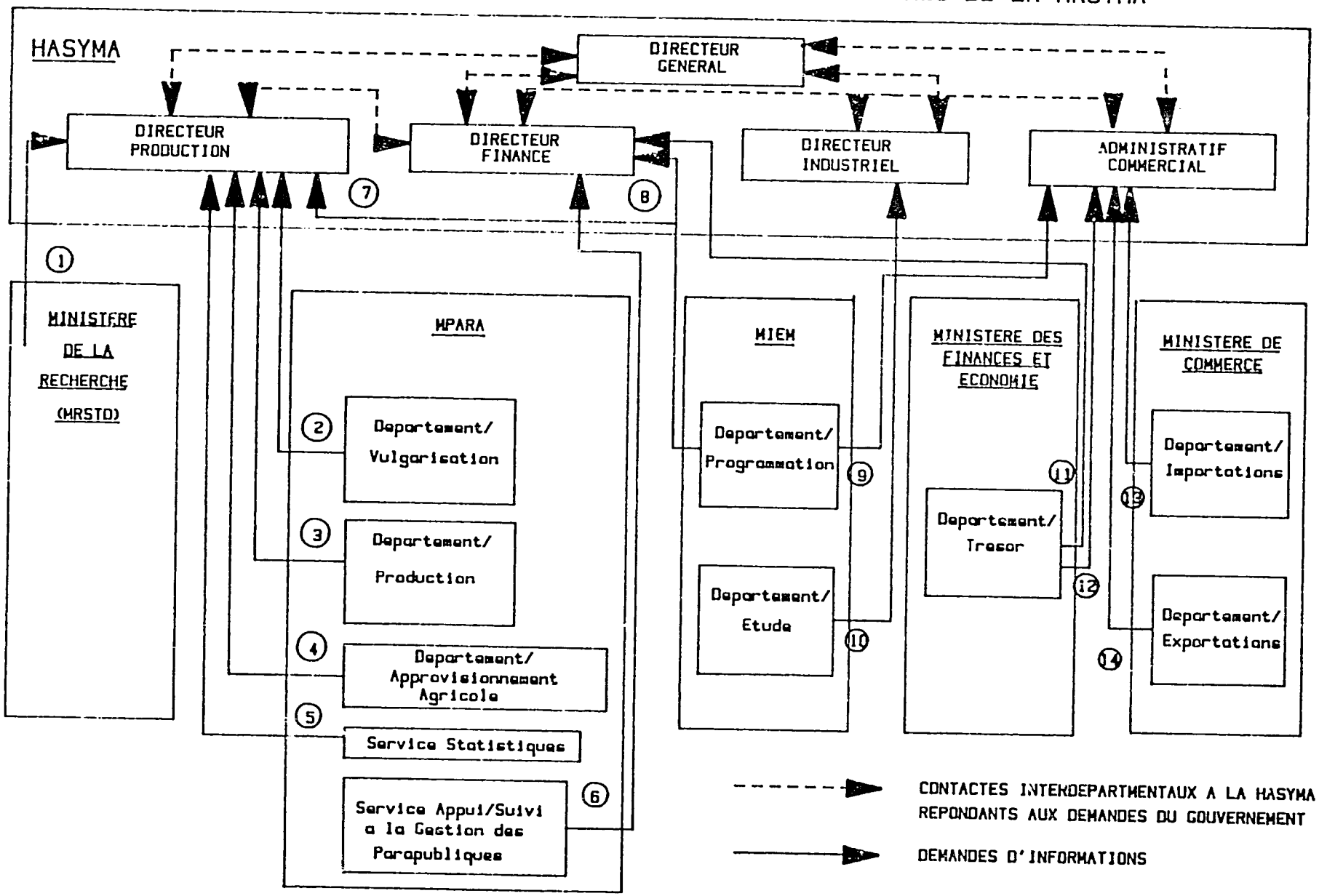
enterprise performance to safeguard the interests of the State, the sole or major shareholder in an enterprise, and on the other hand, provision of technical and financial expertise to support enterprise performance), considerable confusion surrounds the practical execution of tutelle and monitoring responsibility. This confusion centres on just who is charged with monitoring tasks within the ministry, and how to define the proper level of involvement in the enterprises' affairs in the light of the tutelle/monitoring obligation. We recognise that this confusion has not been eased by a record of management and financial weaknesses in the enterprises. For example, the inability of many enterprises to produce a balance sheet or a timely budget submission tends to draw ministry personnel more heavily into the enterprises' operations than might otherwise be justified. Moreover, the lack of response on the part of enterprises to a 1985 attempt by SAGCPP to establish its monitoring activities within the framework of a systematic "Programme de Travail Annuel" represented a setback to the creation of an organised, businesslike monitoring relationship.

Second, there is a severe lack of horizontal coordination among the various agencies within MPARA insofar as tutelle and monitoring are concerned. While it must be recognised that MPARA's various Directions and Services have legitimate functional interests in following the performance of enterprises, the result of this lack of intra-ministerial coordination is a barrage of requests for information from MPARA agencies to the enterprises. Additionally, given their functional responsibilities, agencies of other ministries - Ministry of Industry, Energy and Mines, and Ministry of Finance and Economy in particular - add further weight and overlap to the volume of information requests served upon the enterprises. The net effect is a time- and patience-consuming exercise that wastes resources both within the ministry and within the enterprises. In this regard, MPARA's concept of designating SAGCPP as the primary point of contact between MPARA and the enterprises for global monitoring purposes is a sound one and should be reinforced. To do so will require establishment of effective lines of communication within MPARA imposed by the minister, to make certain that requests and responses are efficiently transmitted by SAGCPP.

Third, even if the present monitoring system were better defined and organised in practice, MPARA still lacks resources to carry out its job. Resources are inadequate both at the human level and in financial terms. The former denotes the lack of a sufficient number of trained staff with specific expertise to analyse and contribute to strengthening enterprise performance. The latter means that the absence of equipment, vehicles and operating budgets makes it impossible for MPARA staff, however competent, to meaningfully follow enterprise performance.

To illustrate the practical difficulties of the current system, it is intructive to briefly review the actual experienec of HASYMA, one of MPARA's tutelle enterprises. Discussions with HASYMA's Directeur General revealed a range of 14 different points of contact between HASYMA and a total of five ministries, including MPARA. These contacts are presented schematically in Table F2, and are explained in the text attached to the table.

DEMANDES MINISTERIELLES D'INFORMATIONS AUPRES DE LA HASYMA



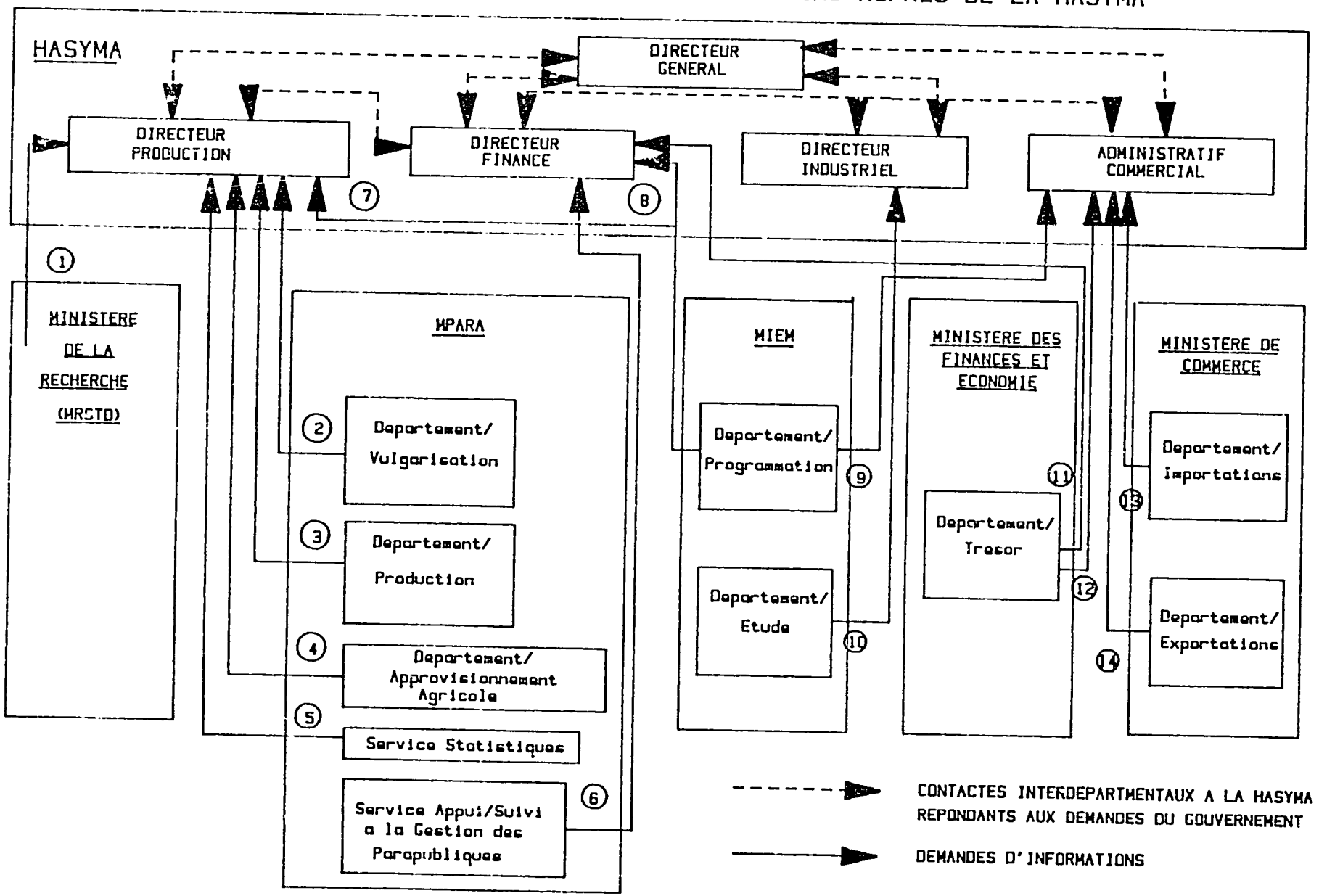
COMMENTARY ON TABLE F2

Source of Demand	HASYMA Contact(s)	Information Requested	Purpose of Request	Frequency of Contact	Information should go to SAGCPP	Others as terms same date
1. Min of Research	Production Director or Director General	Scientific Information	- Genetics - Phyto-sanitary - Farming	Annual	No	-
2. Extension Services MPARA	Production Director	Area Cultivated	Monitoring	Quarterly	Yes	6,7,8
3. Production Dept MPARA	Production Director	Use of cotton seed & fibres	For MIEM use?	Irregular but frequent	No	7,9
4. Supplies Dept MPARA	Production Director	Agricultural Inputs	Determination of needs	Annual	Yes	-
5. Statistics Service MPARA	Production Director	Agricultural statistics	General statistical purposes	After each harvest	Yes	3
6. SAGCPP MPARA	Finance Director	- Financial data - Forecasts + outturns - Industrial production	Monitoring	Quarterly	-	-
7. Programme Dept MIEM	Production Director	Planning Cotton production	Planning Cotton needs	Annual	Yes	2,6,9
8. Programme Dept MIEM	Finance Director	Financial Data	?	Annual	Yes	2,3
9. Programme Dept MIEM	Commercial Dept	General + regional production and sales data	For forecasting and analysis	Annual	Yes	2,6,7

COMMENTARY ON TABLE F2

Source of Demand	HASYMA Contact(s)	Information Requested	Purpose of Request	Frequency of Contact	Information should go to SAGCPP	Others as terms same date
10. Studies Dept MIEM	Industrial Director	All project information	Project Evaluation	As necessary	No	-
11. Treasury Dept Ministry of Finance	Finance Director	Financial situation re specific needs	For aid agencies	Frequent as necessary	Yes (partial)	-
12. Treasury Dept Ministry of Finance	Commercial Dept	Financial Information	Evaluation of harvest financing needs	Regular	Yes	-
13. Import Dept Ministry of Commerce	Commercial Dept	Import licences	For imported inputs	Annual, plus for each import request	No	10
14. Export Dept Ministry of Commerce	Commercial Dept	Export licences	For export items	Annual, plus for each export request.	No	-

DEMANDES MINISTERIELLES D'INFORMATIONS AUPRES DE LA HASYMA



This experience underlines the points made above, namely that lack of coordination creates time pressures on the enterprises, leads to wasted resources and risks promoting discouragement and non-cooperation at the enterprise level. Equally serious, however, the experience of HASYMA makes it plain that the confusion in monitoring responsibilities goes well beyond the ministry of tutelle and involves other ministries as well. It suggests a situation in which a multiplicity of contacts between an enterprise and Government undermines the concept of tutelle, disrupting decision-making, depriving the enterprises of clear policy guidance, and destroying accountability and effective evaluation of enterprise performance.

6.1.2. MPAEF

Similarly, within MPAEF, we conclude that there are essentially two problems, relating to internal ministerial organisation and to the resources at the ministry's disposal.

Organisationally, the detailed responsibilities for carrying out parastatal monitoring procedures are far from clear. In total, five sections of the ministry have some role in monitoring. Within the three technical directions, there is a requirement for technical staff to provide technical, operational and financial monitoring services as well as ad hoc advisory and consultancy services on demand.

The DEPF also has a role in these areas in coordination with the technical departments and in a number of areas apparently duplicating the technical departments' involvement.

At the level of the Cabinet du Ministre, the recently suppressed "service d'evaluation" has resulted in evaluation services being absorbed, at least in part, by the BOC while at the same time it is far from clear whether the BOC is capable of absorbing this function in an effective manner.

Ministry responsibilities are poorly-defined and inadequately understood within the ministry. This inevitably leads to inadequate and irregular monitoring of enterprises under MPAEF tutelle. Even in circumstances where information flows from the enterprises were regular and adequate, it would be difficult in our view for MPAEF to efficiently discharge its monitoring repsonsibilities within the existing organisational structure. There have been instances, for example, where one section of MPAEF has declined to release files to another section because of ill-defined responsibilities and a reluctance to accept that another section has the right to intervene.

A further problem relates to the level of resources at the ministry's disposal. In the BOC, there are six people - two with general management degrees, three agricultural engineers, and one programmer. In the DEPF, there is a total of sixteen people plus the Director. These consist of eight people in the Economic and Studies and Projects sections together, (made up of economists, management specialists and engineers), four people in Programming and Financing, (one economist, one management specialist, and two engineers), and

four people in the Accounts and Management Control section, (three economists and one engineer).

In addition, each DASS in each of the three technical directions have three people who, inter alia, are involved with monitoring.

Only the BOC has micro-computers (2), but their use is not defined and they are used mainly for word processing applications and not f analysis. There is a general lack of all kinds of modern office equipment (see Annexe G, Training and Equipment Needs).

Given the lack of clarity in defining responsibilties within MPAEF, it is not surprising that staff in general are not motivated and are unclear about what they are supposed to do. Training needs are considered in Annexe G, but in brief, the clear need for improved staff capability has to be matched by a much better defined organisational structure before any real impact is likely on managerial and monitoring efficiency.

6.2 Within the Enterprises

Our views of the monitoring system within the enterprises are based upon our series of visits and discussions with eighteen enterprises as described in Appendix C of this report. In summary we conclude that:

- Enterprises have inadequately trained staff to permit proper management information systems to be developed and operated, (and thereby to permit the data required for supplying the ministries for monitoring purposes to be provided automatically within the day-to-day management practices of the enterprises).

- There is a widespread lack of appreciation of what is required of the enterprises in terms of ministerial monitoring; few clear guidelines have been established.

- There are no easily understood standardised forms of reporting financial and operational data to the ministries.

- Liaison and information exchange between ministries and enterprises is sporadic.

- Given the lack of coordination among ministry units with monitoring responsibilities, enterprises are often subject to duplicative requests for information from different parts of the same ministry.

- Enterprises are often unable to respond to ministry requests for information due to management inadequacies, under-staffing and training deficiencies; ministries often fail to follow up requests for information.

- Feedback from the ministries regarding information received is infrequent at best. No information on, for example, comparative costs or management problems and solutions

is communicated by ministries to their tutelle enterprises - information which several Directeurs Generals said would be very useful.

- In general, enterprises interviewed believe that they should be given more autonomy and responsibility in the management of their own affairs and that they should play the major role in decision-taking and management information. They believe that the objectives and obligations for both parties in the monitoring process are too confused to make the exercise worthwhile at present. Enterprises confirm that a link should exist between them and their ministries of tutelle. They believe this link should ideally serve two purposes: (1) to give the enterprises a channel of communication to higher levels of Government to highlight enterprise problems and requirements and in interpreting Government policies and objectives; (2) to encourage a "dialogue", (the term used by one Directeur General), between enterprise heads and knowledgeable senior management staff in Government.

6.3 Monitoring and Conseils d'Administration

We are struck by the fact that MPARA's role as a monitoring agency, as quoted in 4.1.(ii) above, involves two tasks, (control of and advice to the enterprises for the management and development of their activities), which might logically also define the responsibilities of the management and Conseil d'Administration of an enterprise. We are aware that in the French system for Conseils d'Administration - the system upon which Madagascan enterprise practice is largely modelled - "administrateurs" exercise less actual decision-making authority than do their counterparts within Boards of Directors in the British or American system, for example. Nevertheless, our contacts with enterprise Directeurs Generals lead us to believe that the senior managers expect, and would encourage, their administrateurs to play a far more active role in "controlling" and "advising" upon enterprise operating policy than is presently the case.

Channelling the monitoring process in this way would have several key advantages. Firstly, formal involvement of the administrateurs in the enterprises' ultimate responsibilities for providing monitoring information would tend to reinforce the quality of the information produced. Second, it would also mean that those responsible for enterprise performance - both in the ministry and in the enterprises - would be appraising and reacting to a common set of data and deliberations. Third, insofar as administrateurs are generally drawn from ministries most concerned with a given enterprise, formal involvement of the Conseil d'Administration in the monitoring process would help to promote wider understanding of enterprise problems and of ministry responses, and possibly would improve interministerial coordination at a policy level.

It is apparent, however, that as presently constituted, many Conseils d'Administration would not be able to participate effectively in the monitoring process as outlined above. Directeurs General of a number of enterprise with which we spoke voiced a fairly uniform set of concerns with regard to their Conseils. These included:

- lack of motivation on the part of administrateurs to become actively involved in enterprise direction, which results in infrequent meetings and uninformed or marginal participation when meetings are held;

- lack of management and/or technical expertise on the part of many administrateurs, often as a result of establishing Conseil membership on the basis of interministerial balance rather than concern for potential contribution to enterprise performance;

- lack of sense of responsibility in Conseil deliberations, which in turn makes acceptable poor enterprise staff work in analysis and presentation of problems, (eg, late and incomplete preparation of documents for Conseil examination), to the ultimate detriment of enterprise performance.

Here, a strengthening of the management capabilities of enterprises and of the Conseils d'Administration should accompany the establishment of the MPARA/MPAEF monitoring function. A set of enterprise-level recommendations to this effect is presented in section 7.4 below.

6.4 Within the Ministry of Finance

Although strictly outside our Terms of Reference, we decided to gain a brief appreciation of the Ministry of Finance's role in monitoring the agricultural parastatal enterprises, given the overriding importance of securing a better management of public expenditure.

Broadly, the Ministry of Finance regards itself as being responsible for financial tutelle, and in principle is supposed to monitor financial performance of all parastatals. However, the ministry suffers from an acute lack of resources, so that only the most urgent and pressing problems can be attended to.

In discussion with the Directeur du Tresor who has overall responsibility for financial monitoring of parastatals, it emerged that:

- the Service de Tresorerie within the Tresor is severely under-resourced and has an urgent need for training and expansion if it is to be effective. The Service consists of no more than 3 people, (and even these three do not work full-time on monitoring), there are no computer facilities, no systematic policy on monitoring has been decided, and the staff are not fully trained.

- The ministry has attempted to put in place an annual system

of financial reports based on standardised financial reporting forms, and is in the process of designing "tableaux de bords" which would provide analysis of key financial ratios. However, standard forms have not in practice been adopted by enterprises, and the ministry would be especially receptive to a programme to standardise such reporting within the agricultural sector parastatals.

- The ministry has very little direct contact with parastatal enterprises, except via the Conseils d'Administration where the ministry normally has a representative. In cases where enterprises have need of an urgent intervention by the Ministry of Finance, a request to take matters up is normally made by the enterprise to the ministry of tutelle.

- Broadly, Ministry of Finance policy is to diminish subsidies to enterprises and to improve enterprise performance by means of agreed performance and operating contracts. This in theory should permit enterprises more management autonomy.

In summary, we found that there are significant resource and management constraints at the Ministry of Finance as far as monitoring parastatal enterprises is concerned. Financial control is not being taken care of directly by the Ministry of Finance even in the face of ill-defined and largely ineffective action at ministry of tutelle level. It appears therefore that regular financial control of the parastatal sector does not take place in any systematic way in Madagascar.

We believe that the evidence set out here reinforces the validity of our general recommendations in Section 2 of this annexe, that a restructuring of parastatal financial management is required, and that such a reform requires an approach far beyond the scope of the present study.

7. Proposed Monitoring System Reform

7.1 General Principles

In proposing reforms to the current system of monitoring parastatal enterprises under MPARA and MPAEF tutelle, it is necessary to recall that we are proposing only a partial solution. We leave aside the wider questions of the general control and management of public expenditure within the parastatal sector, and we concentrate only on the more limited objective of improving liaison and information exchange between the enterprises under the ministries of tutelle, and the ministries themselves.

In this context, there are in our view two overriding principles to be borne in mind:

- the encouragement of the maximum possible management autonomy within the enterprises themselves, and thereby the avoidance of unecessary interference by the ministries in day-to-day management issues within the enterprises;

- the establishment of good, supportive, and appropriate relations between the ministries and the enterprises.

We believe that the central objective should be to create an environment in which the enterprises feel that their ministries are acting essentially in their interests, and to create an atmosphere of positive collaboration in which the enterprises feel they can rely on professional help from the ministries concerned in solving key problems.

7.2 Performance Contracts

We believe that the basic management tool for the parastatal sector in agriculture should be for the ministries to develop a system of medium-term performance contracts with each enterprise under the ministries' direct tutelle. The essence of these contracts would be:

- Agreed objectives and plans over a period of at least three and perhaps as much as five years against which performance could effectively be monitored.
- The establishment of a set of targets at enterprise level to meet these agreed plans and objectives.
- Clear divisions of responsibility between the ministry and the enterprise, with the bulk of the responsibility for management and for the achievement of the agreed targets falling on the management of the enterprises.

- A system of reward and sanction to apply to enterprise managers related to the results of the enterprise compared to the targets and objectives agreed in advance. The rewards, following experience in other countries, might consist of
    - promotions;
    - financial bonuses;
    - fringe benefits;
    - official recognition of achievement;
    - published performance results.

- The sanctions would essentially consist of the failure to award the benefits mentioned above, but should also include the dismissal of managers and key staff where serious failures have occurred.

In a supplement to this section of the report, we present an outline of the type of performance contract that has been put forward in other countries. We believe that if this approach is accepted in principle, the detailed design of a contract (or contracts) suitable for Madagascar might appropriately form part of the Phase II studies in this project.

7.3 Reforms within the ministries

7.3.1 Approach to monitoring within ministries

For the two ministries concerned, we propose the acceptance of some basic objectives and definitions of their role in monitoring parasatal enterprises. These are as follows:

- to pursue a policy of non-interference in the day-to-day management of enterprises;

- to promote a regular and helpful exchange of information between the enterprises and the ministries;

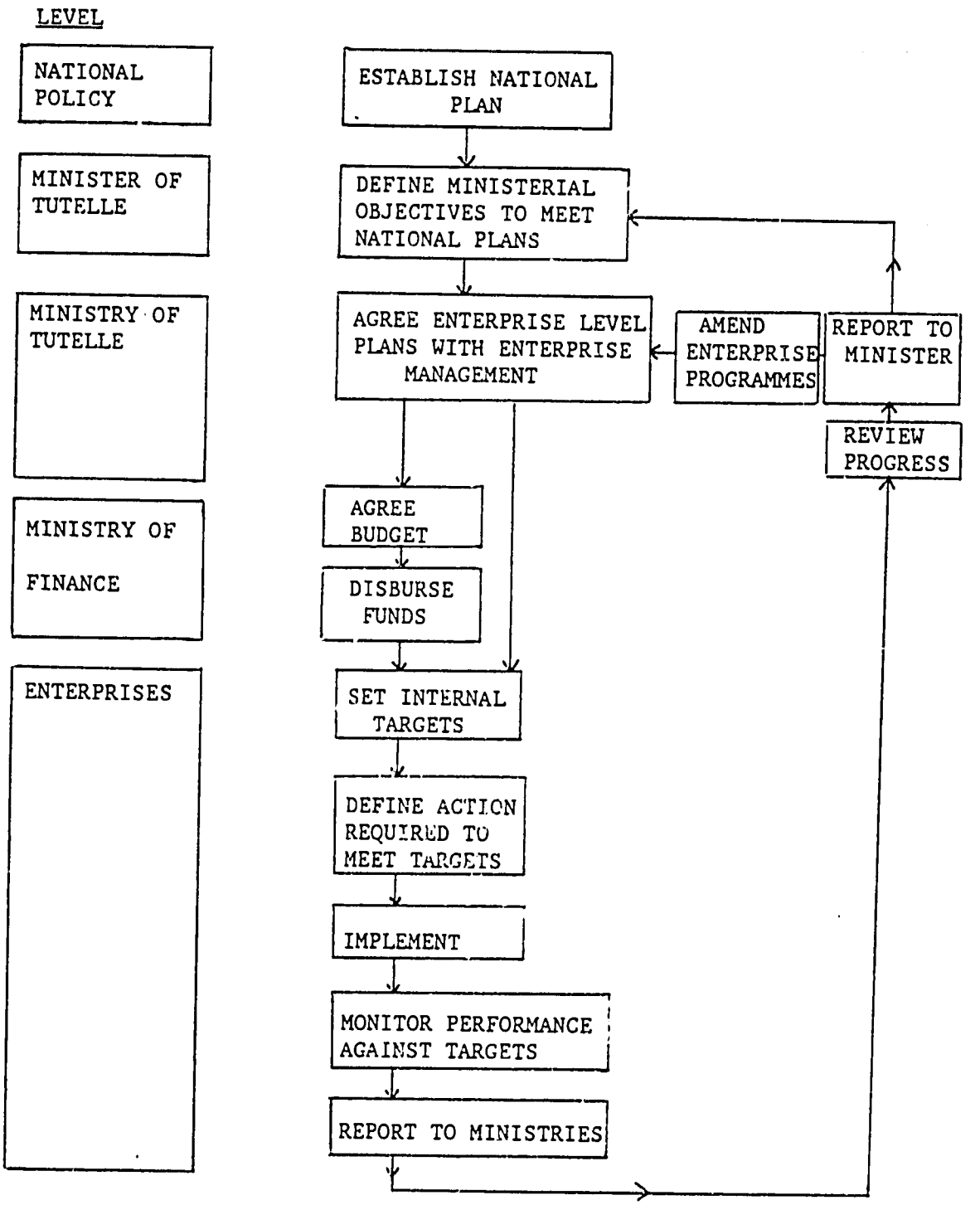
- to provide a level of technical support and help on demand to enterprises, such support to be seen as additional to the management resources of the enterprises themselves.

- to provide succinct analysis of enterprises' performance, and to assist in identifying key problems in advance of those problems causing operational difficulties;

- to promote useful debate on a systematic basis between enterprises themselves, and between the ministries and the enterpises, in order to permit a regular exchange of views on key issues affecting enterprise performance.

In order to define the broad principles of ministries' roles in the moritoring function, reference should be made to the schematic chart presented on the following page.

SCHEMATIC PRESENTATION OF THE PRINCIPLES OF MONITORING PARASTATAL ENTERPRISES



From the preceding chart, there are a number of important features to notice. First, it is a key assumption of our proposals that the parastatal enterprises should assume primary responsibility for their own management. (The capacity of the enterprises to do this, and the actions required to improve their management performance, are discussed in section 7.4 below). The role of the ministries should be to set agreed medium-term targets - we suggest that programmes for at least three, and perhaps five years should be agreed - and to encourage and help the enterprises to achieve these targets by means of monitoring actions.

Experience elsewhere in parastatal sectors, especially in Africa, has shown that regular monitoring actions can contribute to the achievement of established targets. It is likely that this monitoring will take place fairly frequently, probably on average twice a year, (in some cases, perhaps quarterly) and that no less frequently than on an annual basis, adjustments should be made to enterprise objectives as necessary to reflect changing circumstances. The identification of these circumstances, and of the changes needed, should be an important element in the monitoring process.

The emphasis of management and the production of the necessary data nevertheless remains primarily the responsibility on the enterprises' internal management. As illustrated on the previous page, the enterprises are responsible for "monitoring performance against targets", and it is the enterprises themselves that should be reporting on their performance, based on variances from agreed budgets and on the submission of data, to the ministries. It is not the ministries responsibility to produce the data, only to provide analytical services to help in its interpretation.

We propose that the approach of the ministries to the process of monitoring should therefore be as follows:

- Agree medium objectives and plans for each enterprise under ministerial tutelle;

- Check progress on a 6-monthly or quarterly basis, and review enterprise objectives and plans with management;

- Act as an ally to the enterprises, in particular in liaising with other elements of Government and in representing the interests of the enterprises.

7.3.2 Ministerial Organisation

(a) General Principles

In our view both MPARA and MPAEF are inappropriately organised as far as the discharge of their monitoring functions are concerned. In particular:

- there is confusion as to specific responsibilites;
- there is substantial duplication of effort within the ministries;
- there is consequently a waste of scarce ministerial resources;
- contact with enterprises is haphazard and uncoordinated, and in part this contributes to the demotivation of enterprises in terms of their responses.

In both MPARA and MPAEF there is a substantial need for reorganisation of the monitoring system.

In general terms, we propose a number of key points relating to the organisation of monitoring services in both ministries:

- a long-term relationship should be developed between the ministry staff and each of the enterprises under tutelle;
- all contact between the ministries and each enterprise should be ordered and coordinated;
- to achieve this, one individual should be designated as official liaison officer for each enterprise, and all contact between the ministry and the enterprise should pass through this official;
- one implication of this would be that the various technical directions in each ministry, whose role is primarily to to provide advice and support to enterprises in their areas of crop and husbandry practice, would be required to pass through the designated liaison officer in order to obtain information at any time from the enterprises; this would not inhibit their ability to do their job, but would ensure that contacts and requests with the enterprises were coordinated;
- the designated liaison officer in each case should be required to develop a supportive relationship with the management of the enterprise concerned; the official should be seen as a source of help and advice rather than as as source of interference.
- discussions should be held with all other relevant ministries, enterprise by enterprise, to agree that all ministerial contact with each enterprise under tutelle of either MPARA or MPAEF should pass through the designated ministry liaison officer:

- (b) Monitoring Cell for each Ministry

Our central proposal for both MPARA and MPAEF is that a new monitoring cell should be established in each ministry based on the general principles set out in (a) above.

The key features of these monitoring cells would be as follows:

- Reporting: Each cell would report direct to the Secretary General of the ministry. (This arrangement already has a precedent in MPAEF, where the BOC is shown on the ministry's organisation chart as responsible to the Secretary General and in fact is attached to the Cabinet du Ministre. In the case of MPAEF, the monitoring role of the BOC would be discontinued.)

- All contact between the ministry and the enterprises would be cordinated by, and subject to the executive control of, the head of the monitoring cell.

- The monitoring cell should be managed by a senior member of the ministry's staff - we suggest an agricultural economist - who would be assisted by an accountant responsible for financia analysis plus a small number of trained field officers - we suggest in a ratio of one officer per five enterprises - who would be the designated liaison officers for the enterprises.

- In addition, we recommend that for the first two years of the cells' operations, funding should be sought for one technical assistant in each cell to help establish and manage all aspects of the cells'activities.

- Equally, funding should be sought for:

  - training the cells' staff;

  - equipping the cells with:

    - modern office equipment;
    - two adequate micro-computers and related software per cell;
    - vehicles as necessary to enable enterprise visits to be made;
    - help with operating budgets to ensure adequate resources to the cells.

Functionally, the monitoring cells should seek to establish the following basic operating procedures:

- a regular (at least once a year) and established forum for

debate should be set up between the ministries and their enterprises - we suggest an annual meeting of all enterprise director-generals and the monitoring cells themselves;

- a regular, (at least once a year) formal meeting between the head of the monitoring cell and the director general of each enterprise individually should be mandatory to review enterprise progress;

- the monitoring cell should have a clearly-specified regular output, and in particular:

  - a quarterly summary report on each enterprise for transmission to the enterprise and to the minister;

  - an annual review with detailed recommendations on any modifications to the medium-term strategy that are required, to be submitted to the enterprises and to the minister;

  - ad hoc consultancy-style reports on any aspect of the enterprises' operations <u>that the enterprises themselves may request</u>;

Finally, we believe that a crucial aspect of the proposed monitoring cells will be to ensure that the manager imposes a disclipined timetable on the members of the cell itself, and designates exactly the product, in terms of reports, summaries, and recommendations that each member of staff is obliged to produce during the year. Our recommendations on the reform and strengthening of the enterprises themselves in section 7.4 below should ensure that the enterprises are capable of producing the necessary data, but this will be of little avail unless the monitoring cell is able to ensure that the management of enterprises respond to established procedures.

<u>In summary we propose that:</u>

each ministry has a streamlined monitoring cell;

the cells must be well-trained and staffed with senior people;

it is essential that they are also well-equipped;

to be effective they must have a direct line of responsibility to the top level of the ministry, and must be senior to and unconnected with the technical directions and administrative sections of the ministry.

7.4 Reforms within the enterprises

Our discussions with and visits to approximately half of the enterprises under the tutelle of MPARA and MPAEF have made it clear that the standard of management skills and abilities varies. At one extreme, a well-resourced enterprise such as SOMALAC has put in place computer-based accounting and management information systems which - at least in their capacity to produce up-to-date data in a very short time following the end of a given accounting period - is next to ideal and represents a model transferable to other enterprises. At the other end of the scale, an enterprise such as SECIAM operates with a non-integrated journal of accounts and has not produced any kind of financial statement for ten years. (More discussion of these aspects is presented in Appendix G, section 4.1.)

It is clear that no amount of improvement within the ministries will be of much help in upgrading monitoring procedures and their effectiveness if the ability of enterprises to fulfill their part of the bargain is not improved. We conclude that the great majority of the 34 enterprises under the tutelle of the two ministries will require a substantial amount of work to identify systematically their needs, to provide the resources necessary to improve their systems, and to set about the process of putting the identified improvements into practice.

In particular, we believe it will be necessary to:

- systematically identify, enterprise-by-enterprise, the staff skills and resources that exist, and make detailed recommendations on recruitment and training needs to fill the gaps identified;

- systematically examine, enterprise-by-enterprise, the accounting systems in place, and make detailed recommendations on the actions needed to enable the enterprises to produce management information to a prescribed general standard, thereby making the process of supplying appropriate data to the ministries for monitoring purposes semi-automatic;

- producing a detailed investment schedule, to cover all enterprises as necessary, giving details of training courses required for specified participants, and equipment needed - especially in the form of office equipment and computer facilities - to bring enterprise financial and general management up to the levels achieved by SOMALAC, a model for the establishment of "best practice" in Madagascar.

8. Standardised Forms of Financial Reporting

It is generally agreed that financial monitoring of parastatal enterprises would be greatly helped by the establishment of standardised forms of reporting. These have been prepared bearing in

mind the recent development in Madagascar of a new accountancy standard, (Nouveau Plan Comptable - NPC). In this final section, we set out some outline principles to be followed in financial reporting, recognising that this stage should be developed in parallel with the other actions we have recommended. We also present a preliminary design of key forms consistent with the Nouveau Plan Comptable and with our general procedural recommendations.

8.1 General Notes

The reporting formats which are proposed in the following pages should be considered as drafts which may need modification in the light of further discussions with members of the Madgascan accounting profession as well as in the light of experience from field trials.

It is intended that these formats will be used both for external reporting as well as for management accounting and reporting within each enterprise.

The presentations proposed are intended to be most immediately useful for internal management as well as for monitoring, rather than to reflect the nuances and relative complexity of formal audited accounts.

The presentation of the Profit and Loss Account and Balance Sheet is inspired by, but not wholly consistent with the Nouveau Plan Comptable. Detailed notes explaining the individual headings are given hereunder.

It is envisaged that enterprises will report to a monitoring unit at least quarterly, but monthly reporting is normally appropriate for internal management purposes.

Within the enterprises, the basic financial statements on Forms 1, 2 and 3 should normally be available within 10 working days after the end of each accounting period. Allowing for the preparation of the additional analyses and explanations called for in Forms 4 and 5, as well as a margin for delays and problems, it is reasonable to expect reports to be submitted to an external monitoring unit before the end of the month following the period reported upon.

We propose that all amounts should be reported to the nearest million Fmg, without decimals, given that this system is intended to provide materially important information rather than finally audited accounts.

The concept of materiality may also be needed to allow fast accounting closings without waiting for detail which would not have any material impact on the accounts and results as a whole. For example, if a complete stock count and valuation would delay the financial reports, the concept of materiality allows for the valuation of stocks based on earlier stock counts, known purchases, and usage based on experience and knowledge of the business. We

believe that any error due to approximation in one accounting period will be automatically corrected in the subsequent period when the correct amounts have been recorded in the enterprise's books.

The general approach we have adopted here implies that the financial accounts to be presented are not intended to be the audited accounts of the enterprise. We have noticed that it is all too frequently the case that no accounts are presented, and at times none are accepted, within the Madagascan parastatal sector because only audited accounts are deemed to be acceptable. Clearly, a reconciliation between the accounts presented for management information and monitoring purposes, and the formally audited accounts should be made when the latter become available, and any significant discrepancies explained. Insofar as any necessary adjustments revealed by this reconciliation have not already been corrected in subsequent reports, these should be incorporated as necessary and appropriate in the current period.

We would also stress that:

- the proposed system would be entirely appropriate for adoption by other ministries - notably the Ministry of Finance and Economy - to further strengthen the process of public expenditure management in the Madagascan parastatal sector;

- the maintenance of high standards in the design and presentation of the forms themselves will greatly assist with the process of making effective the implementation of the proposed system;

- we believe that technical assistance and specific training measures will be required to put the proposed system into operation.

Formulaire No. 1

Entreprise _____
Division _____

COMPTE DE RESULTAT
en millions de Fmg

PERIODE				CUMUL		
Réalisation	Budget	Ecart		Réalisation	Budget	Ecart
			PRODUITS			
			ACHATS			
			CHARGES EXTERNES			
			VARIATION DES STOCKS			
			VALEUR AJOUTEE			
			FRAIS DE PERSONNEL			
			IMPOTS ET TAXES			
			AMORTISSEMENTS			
			PROVISIONS			
			AUTRES CHARGES D'EXPLOITATION			
			AUTRES PRODUITS D'EXPLOITATION			
			RESULTAT D'EXPLOITATION			
			SUBVENTIONS D'EXPLOITATION			
			PRODUITS FINANCIERS			
			CHARGES FINANCIERES			
			PRODUITS EXCEPTIONNELS			
			CHARGES EXCEPTIONNELS			
			RESULTAT AVANT IMPOT			
			IMPOTS SUR LES BENEFICES			
			RESULTAT NET			

Formulaire No. 2

Entreprise _____
Division _____

BILAN ANALYTIQUE
en millions de Fmg

Début d'Année	Période précédente		Réalisation	Budget	Ecart
		TOTAL ACTIF IMMOBILISE			
		STOCKS ET ENCOURS			
		CREANCES D'EXPLOITATION			
		COMPTES DE LIAISON (Debiteurs)			
		CREANCES DIVERSES			
		DETTES D'EXPLOITATION			
		COMPTES DE LIAISON (Crediteurs)			
		CREDITEURS DIVERS			
		DISPONIBLE, Net			
		S/Total: FOND DE ROULEMENT			
		TOTAL ACTIF, net			
		CAPITAL SOCIAL			
		RESERVES et RESULTATS			
		S/Total: SITUATION NETTE			
		DETTES FINANCIERES			
		Long et moyen terme			
		Court terme			
		SITUATION NETTE + DETTES FINANC.			

276

Form No. 3

Period ended: _____

Name: _____ /Division: _____

SOURCES AND APPLICATIONS OF FUNDS

- in Millions of Fmg - favorable/(unfavourable)

	Actual	Budget	Variance
SOURCES			
Net profit/(loss) per P&L Acct.			
Add Depreciation			
Less Investment Subsidies	( )	( )	( )
Funds from operations			
Investment subsidies received			
Loans received			
Fixed assets sold			
TOTAL SOURCES			
APPLICATIONS			
Fixed assets purchased			
Loans repaid			
Dividends			
Stocks			
French: Cpts de liaison — Receivables - trade			
- inter-company			
- other			
Payables - trade			
- inter-company			
- other			
s/total: Besoin de fond de roulement			
TOTAL APPLICATIONS			
NET SOURCES/(APPLICATIONS)			
Opening banks			
Closing banks			

Form No. 4

Period ended: _____

Name: _____ /Division: _____

ANALYSIS OF MAJOR ACCOUNTS AND VARIANCES

- in Millions of Fmg - favorable/(unfavourable)

PROFIT AND LOSS ACCOUNT

BALANCE SHEET/SOURCES & APPLICATIONS

Form No. 5

Period ended: _____

Name: _____

KEY RATIOS AND INDICATORS

- % and Millions of Fmg - favorable/(unfavourable)

	Period Actual	Cumulative Actual	Cumulative Budget		Analyses and Explanations
Valeur ajouté/CA	%	%	%		
Operating profit/sales	%	%	%		
Net profit/sales	%	%	%		
Management or headquarters expenses/sales	%	%	%		
Interest expense, net/sales	%	%	%		
Operating Profit/Assets, net		%	%		
Stocks/Sales				Months	
Receivables/Sales				Months	

KEY Indicators

e.g. production capacity utilisation
production/workers
production yield/raw materials
average cost per unit
average selling price per unit
etc.

8.3 Notes to the Forms

Profit and Loss Account (Form 1)

The report on Form 1 seeks to present the essential financial elements contributing to the results of the period and the cumulative result of the accounting year to date. While note has been taken of the draft Nouveau Plan Comptable, (NPC), the format proposed suggests some contractions and changes compared to the Compte de Resultat as envisaged by the NPC:

- Sales as well as Purchases are contracted to single lines
- Provisions are similarly contracted
- Operating subsidies have been moved below the Operating Profit line so that the latter shows the result of operations before receipt of the subsidy

* Prior year revenues and expenses should no longer be recorded separately, (this is in line with changes envisaged in the NPC.) Insofar as they were not provided for in prior years' accounts, such revenues and expenses should be included in the appropriate line of current period items or, where more material distortions would result, specific major items should be included under extraordinary revenues and expenses.

Balance Sheet (Form 2)

* Balance sheets should reflect the real assets, liabilities, and equity for which management is held responsible. All too frequently, the balance sheets of Madagascan public enterprises reflect assets that have never had, or have ceased to have any value.

Provisions should be set up only for costs and risks which exist at the date of the balance sheet. For example, losses on exchange should be based on the exchange rate ruling at the date of the balance sheet. If events subsequent to the date of the balance sheet are material, they should be reflected in a note accompanying the financial statements.

* Any provision for losses which will arise after the date of the balance sheet should be included in "Reserves."

Sources and Applications of Funds (Form 3)

The purpose of this fundamentally important, third financial statement in the proposed package of regular reports, is to categorise and summarise the major flows of financial resources in the period reported upon. The statement reveals changes in assets and liabilities reflected in the balance sheet.

It shows the funds derived from the activities of the enterprise as well as from other sources and goes on to detail, under appropriate headings, how those resources have been used.

The statement ends with the net cash impact of the movement of financial resources in the period and reconciles that movement with opening and closing balances at bank.

Analysis of Major Accounts and Variances (Form 4)

Where the information provided by the financial statements in reports 1 through 3 is not sufficient to provide an understanding of the major financial events which have affected the enterprise in the period, this analysis is intended to detail and explain all material amounts and variances.

For the Profit and Loss Account, Form 4 will analyse and explain briefly any material variances from budget and also provide detailed underlying movements on provisions and exceptional income and expenses.

For the Balance Sheet and Sources and Applications statement, it is intended that Form 4 should provide information supplementary to that available on Forms 2 and 3, and which is necessary for an appropriate level of understanding of major changes in the balance sheet.

Form 4 would also analyse and explain any material variances from the budgeted balance sheet.

Key Ratios and Indicators

Form 5 is intended to reflect key ratios and provide brief relevant analyses and explanations for each as necessary.

The list is not intended to be exhaustive. Rather it is intended to highlight those key ratios which are fundamental indicators of operational viability.

Case Studies for Monitoring

As explained in Section ___ of the Main Report, we decided to select three Sociètes et Aménagement (or organisations of that type with mixed commercial and social objectives) to use as illustrative case studies to help in the formulation of our proposals on monitoring system reforms. These were:

SOMALAC
SOAMA
F.E. OMBY.

This Supplement contains our brief reports on each of these three enterprises.

SOMALAC (all activities consolidated)

Period ended	Dec 31, 1984	April 30, 1986	April 30, 1987
Sales	12,320	12,442	2,348
Operating profits/ (loss) 1)	1,116	1,154	(148)
Net Profit/(loss)	103	932 2)	(2,932) 3)
Cash Flow from operations	231	1,933	(1,938)
Total assets	8,019	7,701	N.A.
Total debts	6,604	3,873	N.A.
Net equity	1,415	3,828	N.A.
Operating Profit/ Sales	4.1%	4.1%	N.A.
Operating Profit/ Total assets	6.3%	6.7%	N.A.
Total debts/Net equity	4.7 : 1	1 : 1	N.A.

1) Including operating subsidies and exceptional subsidies totalling 611; 640; 1,059 in each of the 3 years respectively.

2) Including 901 which represents the write-back of prior year provisions.

3) Including 1,831 (net) of new provisions.

NA Net Equity.

BENEFITS OF DIVISIONALISED STRUCTURE

- SOMALAC's various activities are reflected in its divisionalised structure:

  - The construction and maintenance division (EAE) undertakes civil engineering projects to rehabilitate and/or extend the areas irrigation systems; it also carries out maintenance on the existing systems.

  - The rice milling and distribution division (EIC) buys paddy from the area's farmers, mills it and sells it to retailers.

  - The extension services division (EIP) does what its name implies.

  - Centralised purchasing, accounting and financial, personnel and training, legal and general management functions which are shared by this operating division are separately identified as a central services activity.

- SOMALAC's divisionalised structure reflects differences between the financial objectives of its various activities:

  - EAE's medium term financial objective is to cover the costs of its on-going maintenance by progressively raising the contribution asked of farmers. (The cost of civil works projects is covered by contracts with the Government.)

  - EIC is a commercial activity which seeks to sell its rice at a profit.

  - EIP has objectives which are essentially social as opposed to commercial.

  - The financial objectives of the central services activity are to remain within its agreed budgetary parameters.

- Insofar as it identifies and separates activities with divergent financial objectives, SOMALAC's divisionalised structure allows divisional managers to work with more clearly defined financial targets. However, some constraints cannot be solved by structure alone.

Government policy-related objectives and constraints imposed, from time to time, on one or other of SOMALAC's activities can distract management's efforts from financial targets, with sometimes costly results.

. We believe that objectives and constraints, imposed by the Government on SOMALAC's rice milling/distribution division during the most recent 12 months, were an important factor in substantial losses incurred by that division.

- Conflicting financial objectives continue to underlie SOMALAC's activities. For example:

. the rice milling/distribution division's budgets reflects considerations of "reasonable" pricing;

. at the General Manager's level, divisional activities with profit objectives have to be juggled with the demands of the extension services division.

- Only a more complete separation of for-profit from not-for-profit activities will resolve these conflicts.

. Our divestiture-related evaluation of the rice milling/distribution division addresses these and related issues in a separate section of this report. (See Annex D)

BENEFITS OF SOMALAC'S ACCOUNTING SYSTEM

A computer-based, integrated accounting system was installed and tested during fiscal 1986/87 and has become fully operational with the start of SOMALAC's current financial year on May 1, 1987.

The main benefits of the system include the following:

- Management is provided with a fundamental invaluable management tool:

  . financial statements detail the performance of each activity or function;

  . performance is monitored against budgets;

  . divisional directors and other managers can be confronted with the financial results of the activities for which they are accountable;

  . financial information is presented in a clear and consistent manner which can be adapted to a level of detail appropriate to each level of management.

- Current financial information allows timely corrective action:

  . financial statements are available 10-15 days after the close of each accounting period and reflect current or recent events;

  . financial forecasting and modelling techniques which make use of up-to-date information and trends provided by the system can provide invaluable indications of possible problems before they arise.

- Financial statements and the information they provide are readily available for any monitoring needs of shareholders and others.

- Reliable, financial information is available in the event of a search for an investor or any other action which might be decided in the context of divestiture.

AVAILABILITY OF SOMALAC'S ACCOUNTING SYSTEM

It should be noted that SOMALAC's now tried-and-tested system is fully adaptable to other public enterprises.

- Activities need not be the same as SOMALAC's.

- SOMALAC's system can be copied and is available.

- SOMALAC management have indicated readiness to provide information and receive "stagiaires" from other public enterprises.

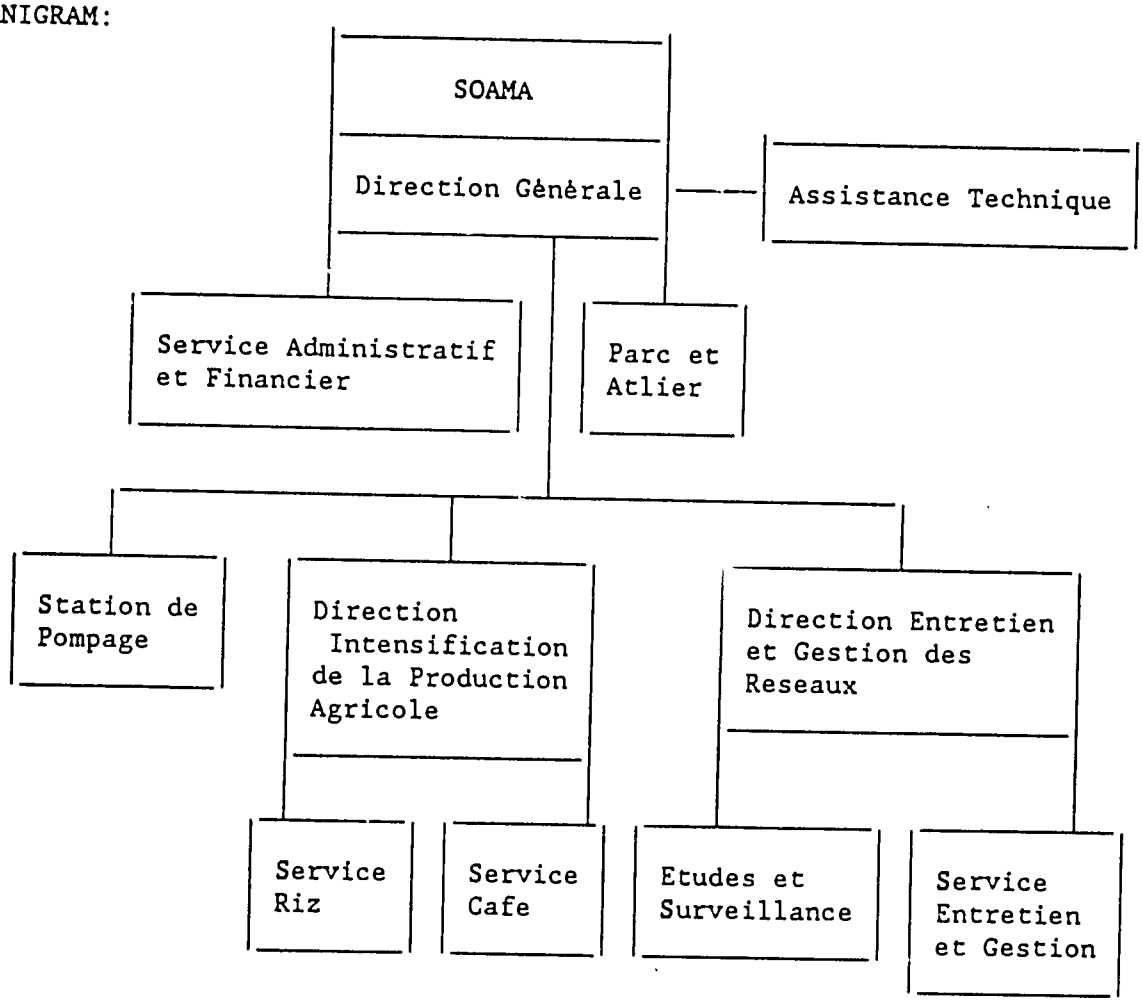
We consider that SOMALAC's accounting system is suitable for use throughout the parastatal sector, and we recommend that it be used as a model.

SOAMA

1. Basic data Sheet

ENTERPRISE NAME	: SOAMA (Société Andapa Mamokatra)
LOCATION	: Andapa, Diego Province
LEGAL STATUS	: Société d'Etat
SHAREHOLDING	: 100% State
ACTIVITIES	: (1) Irrigation system development and maintenance. (2) Agricultural extension (especially for rice and coffee). (3) All other actions arising to promote global and harmonious development of the Andapa region.
STAFF	: 188

ORGANIGRAM:



2. Overview of Soama

SOAMA is a societe d'amenagement charged with developing the Andapa valley, an important rice and coffee growing area for northern Madagascar. SOAMA has been responsible for carrying out a series of development programmes for the valley which first began in 1966, with European Development Fund financing. Creation of irrigation works have been the major thrust of the SOAMA programme, in particular: Ankaike, Ambodipont and Andasibe irrigated rice perimeters, about 2,800 ha in all. Other infrastructure-related activities have involved road building and the construction of certain "centres polyvalents" which would house coffee shelters and facilities for the marketing and storage of crops. A rice mill was also foreseen, but has never gone into operation.

In 1985, SOAMA underwent a reorientation expanding from its initial base of infrastructure construction to intensifying use of existing irrigation works, including the promotion of greater farmer participation in maintenance and repair activities. As a result, SOAMA's main current tasks are to encourage the organisation of water users' associations which will take charge of the irrigated perimeters and contribute an increasingly greater share of the cost of financing operation and upkeep. Eventually, SOAMA is to assume the role of a contractor to these water users' associations, simply bidding on construction and maintenance jobs that need to be undertaken, but not managing or bearing ultimate financial responsibility for the infrastructure systems.

To carry out the new policy, SOAMA has adopted its current organisational structure, which features two major operating divisions:

- Departement Entretien et Gestion des Reseaux Hydroagricole (DEGRH)
- Department Intensification de la Production Agricole (DIPA).

DEGRH undertakes

- manual and machine-aided cleaning of secondary irrigation canals;
- manual and machine-aided cleaning of primary irrigation canals;
- repair of farm roads (pistes);

- construction of "ramblais compactés".

These works are funded by FNDE resources in the framework of an MPARA/Direction Infrastructure Rurale contract with SOAMA. 1984 expenditure for Ris Travaux d'Entretien des Reseaux Hydroagricoles d'Andapa was Fmg 22.2 million. DEGRH programme for 1987 under this programme will be Fmg 124 million.

DIPA undertakes

- rice cultivation promotion
  - applied research on seeds and fields;
  - farm input supply (sale of equipment);
  - modest seed multiplication activities;
  - farmer/water user organisation;
  - traditional extension and training work for rice farmers
- coffee culture promotion
  - operation of a support service for coffee cultivation to provide high quality planting materials;
  - extension for coffee growers including technical monitoring of coffee cultivation, establishment of new plantations and renewal of old plantations.

DIPA activities are funded in part by another contract "Marché Encadrement", sponsored by the MPARA Direction de Vulgarisation Agricole with FNDE funding (1986 amount Fmg 100 million). Additionally, DIPA receives project funding from the Caisse Café (1986 amount Fmg 90 million).

A recent (1986) additional action undertaken by SOAMA is the buying and selling of paddy. While SOAMA is not a commercially orientated operation, it was pressed by local authorities to enter into rice purchase and sale in competition with private traders. The experience was positive and proved profitable:

	Projected	Actual
MT	1,500	300
Price		
Buy	Fmg 133/kg	Fmg 157/kg

Sell	Fmg 237/kg	Fmg 245/kg
Differential	Fmg 104/Kg	Fmg 100/kg
	Net Profit: Fmg 8 million	

Paddy was sold to SINPA which has a rice mill in Sambava. The action had the effect of raising the price to producers. SOAMA financed working capital for this programme by bank loans (découvert, prêt de campagne and avance sur produit). The paddy marketing action was undertaken after a formal MPARA feasibility analysis.

3. Monitoring Information

Discussions with SOAMA staff suggest the following:

- Monitoring activities to date consist of
  - SOAMA's sending its balance sheets and reports (annual and quarterly) to MPARA;
  - MPARA members sitting on SOAMA's conseil d'administration;
  - MPARA members sitting in SOAMA's annual general assembly

- Reports are intended to be as complete in quantitative detail as possible; however, in present format, it is difficult to determine actual progress against intended objectives.

- Reports prepared by SOAMA are also useful for internal management purposes. They are compiled from monthly data gathered by the Departements of SOAMA.

- Preparation of balance sheets has been a major task for SOAMA and needs help from MPARA to make sure this is done correctly; balance sheets are normally presented in May or June, which seems late to SOAMA as it must make a tax declaration (fiscalite) at the end of March.

- Communication is somewhat one-sided within the existing monitoring system as there is infrequent response from the Ministry to reports submitted (comments or questions).

- The MPARA April 1985 model of a monitoring format is useful, and could be a good framework for the reorientated SOAMA's reporting.

- SOAMA is not now computerised, but micro's may not necessarily be needed for effective monitoring. The April 1985 MPARA model would not necessarily need a compuer to complete or update.

- Field organisations like SOAMA are not always clear on intentions of the Ministry of Tutelle. For example, the SEGP of MPARA has undertaken a consultancy-designed exercise to improve monitoring procedures - SOAMA is unclear what impact this will have, and how it will be integrated with the results of the present project.

4. SOAMA'S VIEWS OF KEY FEATURES OF A GOOD MONITORING SYSTEM

Characteristics of a useful monitoring system from the viewpoint of SOAMA would include:

- A principal reason for the system would be to feed information to MPARA which would represent SOAMA to The Minister and others.

- The system would involve written reporting to give rise to a dialogue to assist SOAMA with its problems; this dialogue would involve a greater number of field visits by MPARA officials than at present.

- The system would include
  - technical information focussing on makeup and evolution of programmes and presenting analysis of objectives and realisations;
  - detail of the resources for conduct of programmes, including human, material and financial;
  - an analysis of variances from budgets and work plans;
  - a quarterly submission and analysis, and an annual evaluation.

- Results of the monitoring system would be freely communicated among the various enterprises; it would be useful for example to be able to compare and analyse SOMALAC vs SOAMA in various areas of activity

- Annual conferences of D.G's of parastatals would help to promote communication of comparative data developed from monitoring.

Sources: Applications (Fmg million)		
Profit per P&L account		80
Depreciation		34
Less equipment subsidies amortised		(33)
Funds from operations		81
Equipment subsidies received		70
Total Sources		151
Fixed assets purchased		(77)
Working capital:		
Stocks	12	
Debtors	(95)	
Creditors	15	(108)
Total Applications		(145)
Excess Sources		6

Installation of the financial aspects of the proposed monitoring system should occasion a prior "cleanup" of the various parastatal balance sheets. Detailed analysis for SOAMA indicates that:

- Only Fmg 22.8 million out of Fmg 26.5 million of receivables from customers are shown to have arisen in 1986. The remaining Fmg 3.7 million covers debtors as much as 8 years old.

- Only Fmg 3.4 million out of miscellaneous debtors totalling Fmg 37.0 million are current 1987 items. A single 1983 item accounts for Fmg 26.7 million of receivables that are to be provided against.

1. FE. OMBY : MONITORING SECTION

1. BASIC DATA SHEET

ENTERPRISE NAME	: Ferme d'Etat OMBY
LOCATION	: South-east of the town of Tsiroanomandidy
LEGAL STATUS	: Ferme d'Etat (State farm)
SHAREHOLDING	: 100 % State
ACTIVITIES	: 1. Raising beef-cattle; 2. Paddy and mais farming; 3. Extension.
STAFF	: 113

2. Key Features

As a guide to the steps needed to improve monitoring of OMBY, we suggest that the following steps could be taken:

* Restructure of FE OMBY's balance sheet in the light of the improbability that this enterprise will ever be able to make any payments on 90 % of its loans.

* Re-capitalize the enterprise with an injection of 0.4 billion FMG of new capital.

* Enshrine objectives of commercial and financial viability in a Business Plan or similar document to be subscribed by FE OMBY Management, the FE OMBY board (see below) and the cognizant Ministries.

* Constitute a fully functioning board of directors which will meet regularly, and provide necessary support and advice to enterprise management.

* Emphasize FE OMBY's objectives as a commercial enterprise by, for example, specifically remunerating any residual extension activities from ministerial sources, and giving consideration to a change of name to avoid any possible confusion of objectives due to the name "ferme d'etat" (State Farm).

* Clarify lines of communication and reporting responsibilities to Ministries and others.

* Assist and train FE OMBY staff in the preparation, analysis and timely presentation of appropriate financial information to management, to an external monitoring authority and to a Board of Directors.

* By means of visits, "stages" and similar exchanges of information, encourage FE OMBY staff to learn from and adopt the accounting and management information systems which are now operational at SOMALAC.

* Assist FE OMBY's staff to plan, acquire and implement SOMALAC's systems, including the acquisition of the necessary hardware.

3. Overview

Ferme d'Etat OMBY operates 3 ranches spread over some 80,000 hectares 200 kms due west of Antananrivo. (A fourth ranch was closed in early 1987 due to a combination of inaccessability, cattle rustlers and generally difficult operating conditions).

Management states that government policy in regard to the supply of meat to Antananarivo in the years 1975-1984, imposed cumulative losses of some Fmg 3.5 billion on FE OMBY. That policy and the resultant losses have now ceased. Ongoing operating losses are being brought under control and the 1986 negative cash flow due to operations (before depreciation and interest, which in any case has never been paid) was down to Fmg 61 million. In what we understand to be a consolidation phase, management is looking to improve the

quality of its cattle with a view to better financial returns.

4. FE OMBY'S Accounting Systems

- FE OMBY's Antananarivo-based accountants propose a monthly profit and loss account for each of its activities. Comparisons are drawn with budgeted activity and variances are analysed.

- However, the system presently suffers from the following shortcomings :

. The profit and loss accounts are not supported by balance sheets which would help validate the results, and provide additional information necessary to management. eg, sources and application of funds, stocks and receivables levels, bank balances, etc.

. A consolidation of the Profit and Loss accounts of the various activities is not prepared for FE OMBY management, neither are the results of all activities summarized to reveal the overall results of FE OMBY operations.

. Actual results, budgets and variances are presented on separate successive pages in traditional T-account format and in whole francs. Although the fact that the analysis exists, itself worthy of positive note, the actual presentation is cumbersome and not as useful to management as it could be.

- FE OMBY does not draw up a Balance Sheet until its Public accountant and its external auditor have intervened - typically at least 6 months and sometimes much longer after the close of the fiscal year, and long after the Balance Sheet has lost most of its value from a business management point of view.

FE OMBY'S FINANCIAL ACCOUNTS AT DECEMBER 31, 1986

- The FE OMBY balance sheet for 3 years.

A) As presented by FE OMBY :

BILANS EN MILLIONS DE FMG

ACTIF		1984		1985		1986
Immobilisations		333		197		119
Difference de conversion		1227		1269		1842
Stock		615		594		555
Debiteurs		270		221		257
Tresorerie		83		22		25
Total		2528		2303		2798
PASSIF						
Situation nette		(2577)		(3038)		(3368)
Provisions Pertes de Change		157		284		413
Emprunts LT	978	2657	773	2683	655	3256
CT	1677		1910		2601	
Avances du tresor		1143		1143		1143
Commissions engagements et interets emprunts...		327		327		327
Crediteurs divers		702		712		784
Tresorerie		121		192		243
Total		2528		2303		2798

Source : FE OMBY.

. Restated (1) to better reflect actual assets, liabilities and net worth.

	1984	1985	1986
ACTIF			
Immobilisations/Fixed assets,net	333	197	119
Stock/Stocks	615	594	555
Debiteurs/accounts receivable	270	221	259
Tresorerie/Banks	83	22	25
Total	1301	1034	956
PASSIF			
Situation nette/Net equity	(3647)	(4023)	(4797)
Emprunts/Loans	4125	4153	4787
Crediteurs/Account payable	702	712	723
Tresorerie/Bank overdraft	121	192	243
Total	1301	1034	956

Source : Coopers & Lybrand.

Note: (1) We have made the following changes in the figures as presented by FE OMBY :

- An apparent duplication of provisions for loss exchange has been written back to net equity.
- All balances reflecting liabilities on loans have been consolidated.
- Cumulative losses on exchange have been consolidated into net deficit.

- Although FE OMBY has not, as of May 1987, prepared a consolidation of the 1986 financial results of the individual profit and cost centers, results may be summarized as follows :

		Net operating results	Depreciation included therein
Cattle rearing :			
- Ranch 1	18		6
- Ranch 2	(24)		3
- Ranch 3	(29)		3
- Ranch 4	(8)	(43)	4
Agricultural activities		(47)	60
Extension activities		(10)	3
Central management		(40)	-
Total operating loss		(140)	79
Loan interest		(61)	
Loss on exchange		(573)	
Net loss for 1986		(774)	

Source : Coopers & Lybrand.

400

- The 1986 Cash Flow of FE OMBY may be presented as follows :

Net loss as in the previous page		(774)
Less items which do not represent cash flow :		
Depreciation	79	
Loan interest	61	
Loss on exchange (provision)	573	713
Net Cash outflow to operations		(61)
Additions to fixed assets, net		(1)
Net decrease in working capital		
Decrease in stocks	39	
Increase in receivables	(36)	
Increase in creditors	11	14
Net Cash outflow in 1986		(48)
Reflected in increase in net overdraft balances :		
At Dec. 31,1985	(170)	
At dec. 31,1986	(218)	
Net increase as above	(48)	

Source : Coopers & Lybrand.

- Comments on the financial situation of FE OMBY at Dec. 31,1986 :

. FE OMBY has never made any payments on any of its loans, whether of interest or of capital;
. At Fmg 4.8 billion, total loans outstanding are appoximately equal to FE OMBY's net deficit;
. Of the Fmg 4.8 billion in loans, interest is recorded only on advances totalling Fmg 1.1 billion from the State treasury and on a IBRD loan of approximately Fmg 0.3 billion.

- In the light of the foregoing and given the improbability of FE OMBY ever being in a position to make good on more than a small fraction of its loans, the Government should recognise this fact and restructure FE OMBY's Balance Sheet in consequence :

. Write off all loans, except Fmg 0.3 billion IBRD loans which might be considered current (although interest has not been paid.);

. Inject Fmg 0.4 billion in the form of a new capital subscription.

- Allowing also for a correction in the way breeding cows might more properly be reflected as fixed assets rather than as stocks, the balance sheet at December 31, 1986, after restructuring as suggested above, would look as follows :

		(Fmg millions)
Fixed Assets :		
As before, net	119	
Breeding cows, at cost	250	369
Stocks		305
Accounts receivable		257
Cash at bank (1)		182
Total assets		1113
Share capital (new)		400
Less cumulative losses brought forward		(310)
Net equity		90
Loans - IBRD		300
Accounts payable		723
Total equity and liabilities		1113

Source : C.ɔpers & Lybrand.

Note : (1) Cash at bank reflects net bank balances after receiving the assumed, new capital contribution of Fmg 0.4 billion and before making any necessary disbursements to creditors

5. FE OMBY'S ability to produce adequate financial management information.

The quality of the existing financial management information is better than might be expected and we perceived real commitment on the part of the senior staff with whom we had contact. Our comments and suggestions to improve management information were well received and there is a clear desire to learn and to improve FE OMBY's financial management techniques.

However, FE OMBY's headquarter offices in Antananarivo have no computer equipment (neither is there a photo-copying machine), and none appears to be presently planned. In this regard, and with a view to a possible exchange of information and programs, we drew FE OMBY's management's attention to the accounting system which has been developed at SOMALAC and which is now fully operational. (It should be noted that MPAEF is in process of setting up a system of technical and adminstrative monitoring which is being tested with FE OMBY data.)

In spite of a lack of equipment, we believe that with only a moderate amount of instruction in management accounting techniques, FE OMBY will be able to achieve worthwhile improvements in the financial information available to management, and will be able to produce necessary financial information for monitoring on a timely basis.

6. Financial, monitoring and related issues relevant to improving performance.

FE OMBY management made the following comments after being invited to express its perceptions of problems in the areas of financial management, monitoring and reporting and related issues , and to suggest solutions which might help improve performance :

- There is a need to clarify lines of communication and reporting responsibilities to ministries and others;
- It would be helpful to have a fully functioning Board of Directors which meets regularly and which is able to provide necessary support and advice to management;
- FE OMBY's objectives as a commercial enterprise need to be confirmed and emphasized.

We share management FE OMBY's views in regard to the issues noted above, and comment that these express themes recurrent in most if not all of the enterprises reviewed. At FE OMBY as at other enterprises, there are varying degrees of confusion as to the enterprise's mission, in terms of public service provided at Government expense, or commercial enterprise aiming for financial viability and return on capital invested. However clearly differentiated into "profit centers" and "cost centres", the co-existence of such essentially different missions within one enterprise will often create undesirable cross-currents and confusion as to objectives. In consequence, we believe that everything possible should be done to confirm and emphasize FE OMBY's commercial objectives. (For example,

it would underline the fact that FE OMBY is not a public service arm of the Government or of MPAEF, if such residual extension activities as are currently imposed on FE OMBY were covered by a service contract under which FE OMBY were to be remunerated by that Ministry on a cost-plus-fee basis. In a similar vein and and for similar reasons, it would be useful to be able to dispense with the "State Farm", part of this enterprise's name.)

Conclusions

Loans totaling some US$ 6 million have been lost, apparently expended in pursuit of the Government's meat supply and pricing policy, in effect through 1984.

Whereas the enterprise is now in a phase of consolidation and approaching breakeven at the operating level, it is improbable that it will ever be able to service more than a small fraction of these US$ 6 million in loans.

To encourage FE OMBY's management to accord full credibility to the enterprise's financial accounts, its Balance Sheet should be restructured to reflect the current situation and the assets and liabilities for which management will be held accountable. A concurrent injection of cash, say US$ 0.5 million in new capital, would be desirable to replenish operating funds and give the restructured Balance Sheet a measure of equilibrium.

FE OMBY could be helped to achieve profit as well as operational improvements by being provided assistance in the implementation of appropriate financial and management control system.

The enterprise's general and financial management appears to us to be able and committed. Its efforts to achieve commercial and financial viability need to be confirmed by a Business Plan or similar document, which should be subscribed by management, the Board of Directors and the cognizant Ministries.

Appendix G

Specification of Training and Equipment Needs

1. Introduction

We have examined the ministerial need, for training and equipment based upon the current ministerial organisation and monitoring procedures. Notwithstanding our recommendations for revised procedures contained in Appendix F, we believe that there is merit in proceeding in the short term with the training and equipment programme specified below. It will, however, be necessary to review and expand these needs once the precise shape of the proposal reorganisation has been defined and agreed in Phase II of this project.

As part of the evaluation of the existing monitoring systems, we conducted a preliminary assessment of the manpower and technical capacity of MPARA and MPAEF, and of the enterprises under their tutelle. At the ministerial level this assessment aimed to:

- broadly define the current manpower capabilities of the monitoring units of MPARA and MPAEF;
- broadly define the relevant equipment currently available in the monitoring units of MPARA and MPAEF;
- recommend the type of training and equipment needed to make the ministries capable of implementing an improved monitoring system;
- estimate the costs of these training and equipment needs.

At the enterprise level, this assesment aimed to:

- define the general level of competence in the area of financial reporting;
- propose measures that might be taken to improve this level of competence.

As detailed below, it appears that there are definable gaps between the present and required monitoring capabilities of the entities involved in the monitoring process. The recommendations presented below represent preliminary suggestions as to how to close these gaps.

2. MPARA

2.1 Manpower Capabilities

The unit responsible for the monitoring function within MPARA, Service d'Appui a la Gestion et au Controle Parapublique, (SAGCPP), is headed by an agronomist with management training and is staffed with six senior employees of varying backgrounds. Among the six,

there are three with general management degrees, one sociologist/economist and one with basic coursework in accountancy. Currently each of the six is responsible for performing the total monitoring function and being the primary contact with 3-5 enterprises under the tutelle of MPARA.

However, a project is currently underway to consider the reorganisation of the unit along the following functional lines:

- Information and Documentation Division: this division would be responsible for collecting and computerising all relevant documents produced by the enterprises;

- Financial, Administrative and Commercial Division: this division would be responsible for responding to the financial, administrative and commercial needs of the enterprises;

- Financial and Economic Analysis Division: this division would be responsible for performing relevant financial and economic analysis on the enterprises.

Given this type of functional reorganisation, there appears to be an opportunity to better match the skills of the staff with their responsibilities, through specific training programmes.

2.2 Equipment Availability

MPARA's monitoring unit lacks several major pieces of equipment that could substantially improve its monitoring capability.

The unit has no micro-computer and thus little ability to perform sophisticated financial and economic analysis. The unit also does not have any vehicles dedicated to it with which to visit the enterprises in Antananarivo and in the field. The office is also lacking a modern photocopier and electric typewriter.

2.3 Recommended Training and Equipment

2.3.1. Training

It is recommeded that a series of seminars be orgainsed for the senior staff members of MPARA which (a) give them a common base of knowledge on which to build and (b) create specialists in differnent functional areas. We note that MPARA's policy of sending two people to specialist seminars in order to facilitate the transfer of knowledge to other members of the unit should be applied in the proposed seminar programme. The following programme is recommended:

- A one-week seminar entitled Techniques General de Management for all staff members of the monitoring unit. The objective of this seminar is to give participants a general vision of how an organisation functions and what problems it typically faces. This seminar is regularly conducted by the Centre Formation des Cadres.

- A two-week seminar entitled Finance and Credit for two members of the monitoring unit (ideally one general management graduate and one non-management graduate.) The objective of this seminar is to give participants the ability to analyse financial problems and develop internal financial systems. CFC regularly conducts a 1 week seminar of this type and is willing to offer an expanded version tailored to the needs of the participants.

- A two-week seminar on Financial and Cost Accounting for two members of the monitoring unit, (ideally one general management graduate and the accounting graduate.) The objective of this seminar should be to give participants an understanding of how sound accounting methods can be used as an analytical tool. This seminar can be provided by INSCAE, Madagascar's principal accounting school.

- A two-week seminar on Micro-Computers for two members of the monitoring unit, (ideally one general management graduate and one non-management graduate.) The objective of this seminar should be to give participants an introduction to programming and a basic knowledge of relevant software packages such as LOTUS, DATABASE, and WORDSTAR. This seminar can be provided by several different local organisations, including INSCAE, IBM, NCR and STIM.

- A three-month Programme of Courses Abroad for the two most experienced members of the monitoring unit. The objective of this programme should be to give the participants advanced training in the use of computers as an analytical tool and exposure to the most up-to-date methods of financial and economic analysis. The programme should also attempt to incorporate a part-time internship with an agricultural company in order to give the participants some practical experience. This programme can be arranged with one of the French Ecoles de Commerce or with the summer programme of a US graduate business school.

2.3.2 Equipment

MPARA's monitoring unit has several important equipment needs as detailed below. We note that these needs have been submitted to the Minister of Planning by MPARA for approval before transmission to USAID for financing. The items requested are:

- 1 car for local travel
- 1 car for field visits
- 1 micro-computer and printer
- 1 set of software for computer use (LOTUS, WORDSTAR, DBASE)
- 1 photocopying machine
- 2 electronic typewriters
- 6 financial calculators

Preliminary Budget - MPARA

A. Training

	No of participants	No of weeks	Tuition/ Cost/Week/ Person	Total Tuition Cost	Per Diem Cost/Week/ Person	Total Per Diem Cost	Ry Air Travel	Total	US$ Equivalent
			Costs in Fmg 000s						
Local									
General Seminar	6	1	200	1200	125	750		1950	2438
Functional Specific Seminars	6	2	200	2400	125	1500		3900	4875
								5850	7313
			Costs in US$						
Foreign									
Programme of Courses Abroad	2	12	150	3600	525	12600		6000	22200
TOTAL TRAINING COST									$29513

As set out in Appendix F, there is considerable overlap in the monitoring functions within MPAEF. As far as qualifications are concerned, there is an unbalanced composition of technical and management skills, with very little accounting capabilility, which means that none of the five groups involved with monitoring activities is able to perform their tasks well. In order to upgrade MPAEF's monitoring staff, a broad series of seminars is required. By giving staff members a common base set of analytical skills, the unification of MPAEF's currently disjointed monitoring groups can be facilitated.

3.2 Equipment Availability

As MPAEF's monitoring groups are physically separated from one another, it is difficult to share equipment. Thus 2 sets of some major items of equipment are needed.

The monitoring groups are, however, well-equipped with micro-computers, as BOC possesses two and the DASS in the Direction de l'Elevage has one. These computers are used only for word processing at the present time, as neither office has a financial analysis or database management software package. Other useful items of equipment that the two office locations do not have include a field visit vehicle, photocopiers, electric typewriters, and stencil/duplicating machines.

3.3 Recommended Training and Equipment

3.3.1 Training

We recommend that a series of seminars be organised for the senior staff members of MPAEF which (a) increases the general level of proficiency in accounting and (b) creates specialists in different functional areas. As currently practiced in MPARA, maximum benefit should be gained from the seminars by encouraging seminar participants to discuss what they learned with other members of their staff. Details of the recommended seminar programmes are as follows:

- a one-week seminar entitled Financial and Cost Accounting for all 19 members of the monitoring units. The objective of this seminar should be to give all particpants a basic background in accounting and its value as an analytical tool. This seminar can be arranged by INSCAE on request.

- a one-week seminar entitled Techniques General de Management for all 19 members of staff. See section 1.3.1 for details.

- a two-week seminar entitled Finance et Credit for 2 members of the monitoring units, (ideally 2 agronomists from the DASS divisions). See section 1.3.1 for details.

- a two-week seminar entitled Micro-computers for 2 members of the monitoring unit, (ideally 2 agronomists from the DASS divisions). See section 1.3.1 for details.

- a three-month Programme of Courses Abroad for the two most experienced members of the monitoring unit. See section 1.3.1 for details.

3.3.2 Equipment

MPAEF's monitoring units have several important equipment needs, as detailed below. The equipment is assumed to be split evenly between the BOC and the SCCG/DASS office locations when more than one set of equipment is recommended. The items required are as follows:

- 1 car for field visits
- 2 photocopying machines
- 2 sets of computer software (LOTUS, DBASE etc) and diskettes
- 2 electronic typewriters
- 2 stencil duplicating machines
- 19 financial calculators

3.4 Estimated Cost of Training and Equipment

Preliminary Budget - MPAEF

A. Training

See separate sheet.

B. Equipment

Item	No	Unit Cost ($)	Total Cost ($)
- 4-wheel drive	1	20,000	20,000
- Computer software and diskettes (LOTUS, DBASE etc)	1 set	3,000	3,000
- Rank Xerox photocopier 1025 R/E with sorter	2	6,300	12,600
- Rank Xerox electric typewriter 6015 with memory	4	1,500	6,000
- RoneoVickers model 790 duplicator	2	2,200	4,400
- HP 12C calculator	19	90	1,710
Total Equipment Cost			47,710
TOTAL TRAINING AND EQUIPMENT COST			88,598

(a) Based on assumption that local seminars are held in Antsirabe and per diem cost is Fmg 25,000 per day, 5 days per week

(b) Based on assumption that foreign per diem is equal to $75 per day seven days per week.

4. Enterprises

4.1 Financial Reporting Capability

The 16 enterprises that were visited during the field study phase of the report exhibited different levls of financial reporting capability, ranging from SOMALAC's computer-based integrated accounting systems and detailed financial statements to SECIAM's non-integrated journal of accounts and inability to publish any sort of financial statements since 1977. Our preliminary evaluation of the enterprises' capabilities indicate that well over half of the enterprises visited have significant deficiencies in their accounting systems. The 10 enterprises most in need of improvements in their financial reporting capability are:

- SOMALAC
- OFMATA
- SOAMA
- SOTHEMAD
- FE BETAMPONA
- SOJUFA
- FESSA
- FE OMBY
- SECIAM
- FAMAMA

The nature of their problems vary of course, but can be broadly characterised as follows:

- Preparation of incomplete sets of annual financial statements (Profit and Loss Accounts but not Balance Sheets nor Sources and Application of Funds statements, for example);

- No quarterly reporting;

- Inability to establish an accurate "prix de revient;"

- Lack of forward financial planning (ie no multi-year performance projections;)

- Rare inventory taking;

- Mislocation of the accounting function (at the head office for example rather than at the factory site;)

- Manual systems;

- Lack of formal accounting training at the top level;

- Insufficient number of accounting staff.

The majority of these deficiencies stem from the fact that most of the Directeurs General are agronomists by training and previous experience, and have had little training in management. Their lack of familiarity with the accounting function had resulted in weak financial reporting practices, and in a general under-valuation of the importance of good financial management.

ETUDE DES ASPECTS JURIDIQUES

Cette annexe contient l'analyse des aspects juridiques au niveau des entreprises sous la tutelle des deux ministères, MPARA et MPAEF.

Suivant les directives de la Direction Générale du Plan, nous avons reproduit le texte entier de cette étude, préparée uniquement par le Cabinet Ramaholimihaso, sous la supervision générale de Coopers & Lybrand, dans le cadre du programme de travail général du projet.

A noter : Dans le cas des sept entreprises qui ont été étudiées au niveau des "plans commerciaux" (cf. Annexe D), nous avons inséré une section juridique (en langue française seulement) qui fournit, pour chaque entreprise, les points clés en matière de structure administrative et juridique.

Cette annexe se présente comme suit :-

- A. Problèmes juridiques relatifs au désengagement de l'état dans les entreprises publiques.

B. Notes générales :

B.1 Sur le contrôle financier des entreprises publiques
B.2 Sur le contrôle du commissaire du gouvernement
B.3 Sur le contrôle des commissaires au comptes
B.4 Sur l'Inspection Générale de l'Etat (I.G.E) sur les entreprises publiques

C. Liste de référence : décrets, arrêtés et ordonnances

A. PROBLEMES JURIDIQUES RELATIFS AU DESENGAGEMENT DE L'ETAT DANS LES ENTREPRISES PUBLIQUES

S O M M A I R E

1. DELIMITATION DU CADRE DE L'ETUDE JURIDIQUE

1.1. Objet de l'étude juridique
1.2. Définition des entreprises parapubliques
1.3. Contexte juridique des entreprises publiques

1.3.1. Statut législatif et règlementaire
1.3.2. La Charte des entreprises socialistes
1.3.3. Les dérogations à la Charte

2. ASPECTS JURIDIQUES ET FISCAUX DU DESENGAGEMENT

2.1. Désengagement au niveau du capital social

2.1.1. Désengagement en faveur des nationaux
2.1.1.1. Dans la S.E.M. et l'E.S.
2.1.1.2. Dans les S.E. et les S.I.N.
2.1.1.3. Dans les E.P.I.C.

2.1.2. Désengagement en faveur des étrangers
2.1.2.1. Investissement direct
2.1.2.2. Transfert de dividendes

2.2. Procédure juridique du désengagement

2.2.1. Ouverture du capital de l'entreprise publique

2.2.1.1. Cession de participation
2.2.1.2. Augmentation de capital

2.2.2. Transformation de l'entreprise politique

2.2.3. Conséquences du désengagement sur le régime juridique du personnel

2.3. Désengagement au niveau de la gestion et du contrôle

2.3.1. Aspects généraux de la gestion et du contrôle des entreprises publiques

2.3.2. Allègement du contrôle

2.3.3. Novation du contrôle

2.4. Désengagement au niveau du fonds de commerce

2.4.1. Cession de fonds de comemrce

2.4.2. La mise en location du fonds de commerce

2.4.3. Cession o éléments d'actif.

A. PROBLEMES JURIDIQUES RELATIFS AU DESENGAGEMENT DE L'ETAT DANS LES ENTREPRISES PARAPUBLIQUES

1. DELIMITATION DU CADRE DE L'ETUDE JURIDIQUE

1.1. Objet de l'étude juridique

L'étude juridique a comme objet d'identifier et d'analyser les aspects de droit se rapportant au désengagement de l'Etat au niveau des entreprises publiques sous la tutelle du MPARA et du MPAEF.

Les étapes de cette étude sont les suivantes :-

- description, sous forme d'une liste, des caractéristiques des différents types de structures juridiques qui existent pour les sociétés et les entreprises publiques à Madagascar et énumération de celles qui sont sous la tutelle du MPARA et du MPAEF;

- recherche et analyse des textes législatifs et règlementaires se rapportant à une vingtaine de ces entreprises ;

- classement de ces entreprises selon leur statut juridique, les problèmes juridiques ainsi que les méthodes administratives appliquées à chacune d'elles par les ministères de tutelle et les autres organes administratifs. Description des moyens de contrôle de l'Etat sur ces entreprises;

- classement de ces entreprises en fonction du temps nécessaire et des difficultés pour l'élimination des obstacles juridiques et administratifs et qui peuvent être rencontrés pour le désengagement;

- établissement d'un rapport sous forme de résumé sur les travaux ci-dessus énumérés.

Pour la direction de l'étude, les objectifs du désengagement ont été définis de la manière suivante :

- Amélioration de l'efficience économique de l'entreprise et l'allocation rationnelle des subventions ;

- Allègement de la charge fiscale ;

- Réalisation des biens de l'Etat (éléments d'actif et participation), dans le but d'obtenir une rentrée de fonds pour l'Etat;

- Ouverture de la propriété de ces biens.

Il a été établi que, dans certains cas, le recours à la participation de partenaires de droit privé au sein des entreprises publiques s'avère nécessaire.

Le principal but du présent rapport est de relever les problèmes juridiques qui peuvent être rencontrés dans l'application du processus de désengagement de l'Etat au niveau des entreprises publiques.

1.2. Définition des entreprises parapubliques

Dans le langage courant, on utilise indifféremment les expressions "entreprises publiques" et "entreprises parapubliques". Toutefois, dans la rédaction des textes législatifs et règlementaires à Madagascar, seule l'expression "entreprise publique" est employée.

Pour les besoins de la présente étude, il ne sera pas fait de distinction entre ces deux expressions et celle d'"entreprise publique" sera exclusivement utilisée.

D'une manière générale, l'entreprise publique s'oppose à l'entreprise privée. La notion n'a jamais été définie légalement.

En droit malgache, l'on dispose uniquement de quelques faibles indications. Il y a lieu de souligner que les textes se limitent à énumérer les entreprises publiques sans les définir.

Tel est notamment le cas de l'arrêté no 1828-PM du 9 mai 1977 portant création d'une commission chargée de l'approbation des comptes des entreprises publiques. Ce texte énumère les différentes formes d'entreprises entrant dans son champ d'application, qui sont les suivantes :-

- Etablissement public à caractère industriel et commercial (EPIC);
- Société d'Economie Mixte (SEM);
- Société d'Intérêt National (SIN);
- Toute société dans laquelle l'Etat ou ses démembrements, soit directement, soit par l'intermédiaire des entreprises qu'il contrôle, détient au moins 51 pour cent du capital social.

Il est également possible d'essayer de définir l'expression en procédant à l'analyse des deux termes qui la composent.

1) Entreprise

Ce terme implique l'idée d'une activité économique. C'est donc un organisme producteur de biens et de services.

Une entreprise a, en outre, une unité juridique. C'est un organisme autonome, doté d'une personnalité juridique, d'une direction propre et d'un patrimoine distinct.

2) Le caractère public se traduit par :

a) Le but d'intérêt public de l'entreprise : en fait, ce critère est largement dépassé puisqu'une entreprise publique ne correspond pas obligatoirement à un service public.

b) La propriété et la direction publiques de l'entreprise : la propriété publique est évidente pour certaines formes d'entreprises (EPIC et Société d'Etat ou SIN). Il est par contre nécessaire d'examiner le problème au niveau de chaque cas pour les sociétés d'économie mixte, et surtout pour les sociétés de droit privé dans lesquelles l'Etat détient une participation majoritaire ou un pouvoir de contrôle.

La direction et contrôle publics se présentent sous forme d'une direction assumée par les représentants de l'Etat ou par des personnes nommées par lui.

En principe, les sociétés de droit privé dans lesquelles l'Etat ne détient aucune participation échappent à toute tutelle de l'Administration.

A partir de ces éléments, la liste des formes juridiques d'entreprises publiques ou parapubliques pourrait être établie de la manière suivante :-

- les établissements publics à caractère industriel (EPIC) dont les Fermes d'Etat ;
- les sociétés d'état (SE) et les sociétés d'intérêt national (SIN);
- les sociétés d'économie mixte (SEM);
- les entreprises socialistes (ES);
- les sociétés de droit privé avec une importante participation publique.

1.3 Contexte juridique des entreprises publiques

1.3.1. Statut législatif et règlementaire

D'une manière générale, les règles de fonctionnement et d'organisation des différentes formes d'entreprises publiques à Madagascar sont fixées par des textes législatifs et règlementaires.

Particulièrement, les principales caractéristiques de chacun de ces entreprises ainsi que leurs dispositions statutaires sont déterminées par la loi ou les règlements, selon les cas.

Cet aspect constitue l'une des différences fondamentales entre les entreprises publiques et les entreprises de droit privé, dont les statuts sont établis par acte conventionnel.

De ce fait, tout changement intervenant au niveau des entreprises publiques et qui peut entraîner la modification de l'une de leurs caractéristiques doit faire l'objet de la promulgation d'un texte particulier.

En conséquence, toute modification apportée aux règles régissant une entreprise publique relève de la décision des dirigeants de l'Etat.

1.3.2. La Charte des entreprises socialistes

L'esprit de l'Ordonnance 78 006 du 1er mai 1978 a été de réaliser une unification des entreprises publiques.

L'article 60 de cette ordonnance dispose, en effet, que "toutes les sociétés, toutes les entreprises, en général, toutes les opérations économiques de l'Etat créées postérieurement à la date de promulgation de la Charte doivent revêtir la forme d'Entreprise socialiste", dès lors que l'Etat ou ses démembrements détiennent, directement ou indirectement par l'intermédiaire des entreprises qu'il contrôle, une participation égale ou supérieure à 51 pour cent du capital.

Par ailleurs, l'article 60 du même texte stipule que les SE, les SIN, les SEM, les EPIC, les sociétés d'aménagement, les sociétés anonymes et en général toutes sociétés dans lesquelles l'Etat détient directement ou indirectement 51 pour cent ou plus du capital social, et en tant que de besoin, toutes les opérations de l'Etat revêtant un caractère économique de production ou de prestation de service et toutes les opérations économiques menées en régie par les ministères, sont soumis de plein droit au régime de la Charte, si elles existaient à la date de sa promulgation. Leur transformation en Entreprise socialiste devait se réaliser dans un délai fixé à un an par voie de décret. Cette disposition a été abrogée par la suite et il a été prévu que le délai serait fixé par voie d'arrêté du Premier Ministre.

Jusqu'à présent, l'arrêté en question n'a pas encore été pris. De ce fait, la transformation de toutes les entreprises publiques en entreprises socialistes ne s'est pas réalisée.

1.3.3. Les dérogations à la Charte

Bien que les conditions d'application des dispositions de l'article 60 de la Charte des entreprises socialistes soient réunies, il est toujours possible d'y déroger en adoptant d'autres formes juridiques d'entreprises.

Les précédents et la pratique ont consacré deux procédures dérogatoires possibles aux dispositions de l'article précité de la Charte.

Le critère d'application de l'une ou de l'autre de ces procédures est constitué par la nature, directe ou indirecte, de la participation majoritaire de l'Etat dans le capital de la nouvelle entreprise à constituer.

D'une part, en cas de participation directe de l'Etat, la dérogation aux dispositions de la Charte n'est possible qu'au moyen d'un texte législatif.

L'opération devra alors être expressément autorisée par une loi si elle intervient pendant la période de session de l'Assemblée Nationale Populaire lors de la session qui suit immédiatement après.

D'autre part, lorsque la participation majoritaire de l'Etat se réalise d'une manière indirecte - participation par l'intermédiaire des entreprises qu'il contrôle - la dérogation est effectuée de fait, par la simple et libre création de l'entité juridique. Toutefois, il est à remarquer que la constitution d'une entreprise dans telles conditions n'est pas conforme aux dispositions légales.

2. ASPECTS JURIDIQUES ET FISCAUX DU DESENGAGEMENT

Du point de vue juridique, le désengagement de l'Etat au niveau des entreprises publiques peut concerner trois domaines :-

- le capital;
- la gestion et le contrôle;
- l'actif.

2.1 Désengagement au niveau du capital social

Le capital social est constitué par les apports effectués par les associés d'une société au moment de sa constitution. Il peut être augmenté ou réduit de différentes façons au cours de la vie sociale.

Pour les entreprises publiques, le capital appartient en tout ou partie à l'Etat ou ses démembrements. Dans certains cas (EPIC), l'entreprise appartient exclusivement à l'Etat mais n'a pas de capital.

Le désengagement de l'Etat au niveau du capital social d'une entreprise peut revêtir deux formes :

- d'une part, la cession totale de sa participation en faveur d'autres personnes;

- d'autre part, l'ouverture à d'autres personnes ou la cession partielle de sa participation.

Par ailleurs, il y a lieu de distinguer la cession de participation ou l'ouverture du capital social au profit des résidents et au profit des non-résidents.

2.1.1. Désengagement en faveur des résidents

2.1.1.1. Dans la SEM et l'ES

Il convient d'entendre par résidents, les personnes physiques résidentes à Madagascar, quelle que soit leur nationalité et les personnes morales ayant leur siège à Madagascar, sous contrôle majoritaire de résidents.

a) La prise de participation, dans le capital de la SEM et de l'ES, de personnes de droit privé est expressément autorisée par les textes régissant ces deux formes d'entreprises. Toutefois, seules les personnes morales de droit privé peuvent être admises comme partenaires de l'Etat dans le capital de l'Entreprise socialiste.

Ces participations privées sont soumises à une certaine limite. Dans l'ES, l'Etat ou ses démembrements ou encore les entreprises qu'il contrôle doivent détenir 51 pour cent au moins du capital social ; la part pouvant appartenir à des personnes morales de droit privé ne doit donc pas excéder 49 pour cent dudit capital. Le minimum de participation de l'Etat ou de ses démembrements dans le capital de la SEM, n'a pas été clairement déterminé par les textes. Quoiqu'il en soit, il est logique de penser que l'Etat, corrélativement aux pouvoirs dépassant le cadre de droit commun qui lui sont conférés par la SEM par la loi, doit posséder la majorité absolue du capital de

cette catégorie de société, le reste pouvant être détenu par des personnes de droit privé.

b) Si la participation du ou des partenaires privés dépasse ces limites, il serait alors nécessaire, soit :

- de déroger au texte fixant le régime juridique de l'entreprise concernée au moyen d'un texte de loi. Néanmoins, il n'est pas indiqué de multiplier les dérogations aux textes, en particulier aux dispositions d'ordre public;

- de transformer la SEM ou l'ES pour adopter une autre forme juridique d'entreprise, laquelle pourrait être, en principe, celle d'une société de droit privé. Les textes règlementaires ayant créé la SEM ou l'ES devront alors être abrogés.

Cette transformation serait nécessaire en cas de désengagement total de l'Etat.

2.1.1.2. Dans les SE et les SIN

Par définition, les SE et les SIN sont des entreprises publiques dont le capital appartient exclusivement à l'Etat. L'association de l'Etat avec des partenaires de droit privé dans le capital de ces entreprises est donc impossible.

C'est d'ailleurs dans cet esprit que le capital desdites entreprises n'est pas divisé en actions.

L'ouverture de leur capital social à des personnes de droit privé entraîne l'obligation de transformer l'entreprise en un autre type de société qui serait :-

a) une ES obligatoirement, si la participation de l'Etat ou de ses démembrements dans le capital de la nouvelle entreprise est égale ou supérieure à 51 pour cent, avec les éventuelles dérogations qui ont été précédemment exposées;

b) une société de droit privé dans le cas contraire. En tout état de cause, un texte de loi devra être pris pour abroger celui ayant porté création de la SE ou de la SIN qui se transforme.

2.1.1.3. Dans les EPIC

L'EPIC est un organisme public personnalisé, chargé d'assurer un service d'intérêt public. Il ne possède pas de capital social.

De ce fait, seule sa transformation en un autre type d'entreprise publique ayant un capital social (SEM ou ES) ou encore en une société de droit privé, permettrait l'association de l'Etat à des personnes de droit privé.

Cette transformation est soumise aux même règles que la transformation de la SE ou de la SIN.

2.1.2. Désengagement en faveur de non-résidents

2.1.2.1. Investissement direct

La prise de participation de personnes non-résidentes dans le capital d'entreprises de droit malgache est concerné par la législation des changes.

Le principal texte qui régit cette nature d'opération est l'arrêté no 4100 du 22 novembre 1972 règlementant les participations étrangères à Madagascar.

Le critère appliqué par ce texte pour déterminer qu'une personne donnée est visée par ses dispositions est le fait de ne pas résider à Madagascar, en ce qui concerne les personnes physiques.

Aux termes de ce texte, la prise de participation au capital de sociétés de droit malagasy (entreprises publiques ou entreprises de droit privé ayant leur siège à Madagascar) par des personnes physiques non-résidentes constitue un investissement direct dès lors qu'elle

excède, seule ou à plusieurs, 20 pour cent du capital de ladite entreprise. Dans ce cas, cette opération est soumise à l'autorisation préalable du Ministère chargé des Finances.

La même prise de participation effectuée par une société ayant son siège à Madagascar, mais sous contrôle de non-résidents (majorité du capital social appartenant à des personnes physiques non-résidentes) est également soumise à autorisation préalable.

La prise de participation de personnes physiques résidentes à Madagascar peut donc librement s'effectuer.

Il est à noter que l'obtention de l'autorisation préalable ouvre droit pour l'investisseur non-résident à la possibilité de transfert en sa faveur des dividendes éventuels lui revenant au titre de sa participation et de transfert du prix de cession en cas de liquidation de l'investissement, sur la base du capital investi en devises.

Le délai pour l'obtention d'une telle autorisation est très variable. En principe, l'Administration est tenue, selon un principe du droit administratif, de répondre avant l'expiration d'un délai de six mois à compter de la date de dépôt de la demande.

2.1.2.2. Transfert de dividendes

Les dividendes revenant à des non-résidents sont transférables moyennant une demande d'autorisation annuelle à adresser au Ministère chargé des Finances (Service du Contrôle des changes).

Ces dividendes, selon l'arrêté no 3747 du 18 septembre 1974, sont transférables à raison de 100 pour cent pour les entreprises industrielles et à raison de 75 pour cent pour les autres entreprises.

La partie non transférable est, au choix du bénéficiaire, soit laissée en compte-courant, soit transférée de façon échelonnée selon un calendrier fixé par cet arrêté.

Sur le plan fiscal, les dividendes sont assujettis à l'Impôt sur les Revenus des Capitaux Mobiliers (IRCM), au taux de 25 pour cent pour les produits des actions nominatives et au taux de 40 pour cent pour les produits des actions au porteur.

L'IRCM est retenu à la source par l'entreprise, qui le reverse à l'Etat. Dans la pratique, certaines entreprises prennent cet impôt en charge. Dans ce cas, ledit impôt n'est pas déductible du bénéfice imposable.

2.2 Procédure juridique du désengagement

2.2.1. Ouverture du capital de l'entreprise publique

L'ouverture du capital social peut être réalisée suivant deux voies juridiques ; la cession de participation et l'augmentation du capital social.

2.2.1.1. La cession de participation

Ainsi qu'il a été indiqué précédemment, la cession de participation n'est possible dans une entreprise publique que dans le cadre d'une SEM et d'une ES, en prenant soin de respecter les limites de participation minimum de l'Etat.

La cession des actions de l'Etat dans une SEM est soumise à l'autorisation du Ministère chargé des Finances et du Ministère de Tutelle de l'entreprise, donnée sous forme d'arrêté interministériel.

La cession de participation de l'Etat dans une ES est soumise à l'autorisation du Conseil d'orientation.

S'agissant de la société anonyme, la cession des actions que l'Etat détiendrait dans son capital est en principe soumise à l'autorisation du Ministère chargé des Finances ainsi qu'à celle du Conseil d'Administration de la société, au cas où les statuts sociaux prévoient une clause de préemption en faveur dudit Conseil.

Le prix de cession est librement déterminé par le cédant et le cessionnaire.

Au plan fiscal, la cession de participation est assujettie à un droit proportionnel de 8 pour cent, liquidé sur la base du prix de cession. Toutefois, l'assiette de cet impôt ne peut pas être inférieure à la valeur mathématique de la participation, qui ne peut elle-même être inférieure à la valeur nominale.

2.2.1.2. Augmentation de capital

L'introduction de nouveaux partenaires de droit privé dans le capital d'une SEM ou d'une ES peut également être réalisée par voie d'augmentation de capital.

- Pour l'ES., l'opération doit être autorisée et approuvée par :

  . le Conseil d'orientation;
  . le Premier Ministre qui prend un arrêté en vue de modifier l'article des statuts relatif au capital social. Il n'y a pas de droit préférentiel de souscription en faveur des actionnaires de l'ES.

- Pour la SEM, l'opération doit être autorisée par :

  . le Conseil d'Administration qui en arrête les modalités et conditions;
  . les actionnaires réunis en assemblée générale extraordinaire qui décident du principe de l'opération et renoncent à tout ou partie de leur droit préférentiel de souscription;
  . le Ministère de tutelle qui approuve la modification conséquente des statuts par voie d'arrêté.

- Dans la société anonyme, l'augmentation de capital en vue de permettre l'adhésion d'un nouvel actionnaire est librement décidée par l'assemblée générale extraordinaire des actionnaires.

Fiscalement, cette opération est assujettie à un droit d'apport de :

. 2 pour cent sur les apports en numéraire dans les sociétés ayant des activités industrielles et agricoles;

. 6 pour cent sur les apports en numéraire dans les autres sociétés et sur la valeur des apports en nature.

Les apports d'immeubles sont en plus assujettis à la Taxe de publicité foncière au taux de 2 pour cent.

Les apports en nature effectués au capital d'une SEM ou d'une SA doivent être évalués et vérifiés par un Commissaire aux apports nommé par l'assemblée générale extraordinaire des actionnaires, lequel présente un rapport à ladite assemblée.

2.2.2. Transformation de l'entreprise publique

Sur le plan juridique, la transformation d'une société, c'est-à-dire le changement de sa forme, est une opération qui est valablement décidée par l'autorité ou l'organe habilité à apporter des modifications à ses statuts.

En outre, il est rappelé que la transformation des entreprises publiques en entreprises socialistes devait être réalisée en application des dispositions de la Charte des entreprises socialistes.

En principe, la transformation est une opération juridique qui ne doit entraîner que la modification de la forme de l'entreprise, sans changer ses autres caractéristiques essentielles, en particulier le capital social.

En droit privé, la transformation d'une société n'est possible qu'en une autre forme de société. Tel est le cas de la transformation d'une société anonyme en société à responsabilité limitée. Par contre, la modification d'une entreprise individuelle en société n'est pas une transformation mais une dissolution d'entreprise suivie de la création d'une autre.

Par analogie, la transformation d'un EPIC en SEM ou en société de droit privé nous parait devoir être considérée juridiquement comme une dissolution dudit EPIC et une création de personne morale nouvelle. En effet, l'on pourrait assimiler l'EPIC à une sorte d'entreprise individuelle de l'Etat.

Du point de vue fiscal, la dissolution d'une entreprise, suivie de sa liquidation est assujettie à :

. un droit de partage de 1 pour cent, calculé sur la base de l'actif net;

. l'IRCM au taux de 25 pour cent sur l'actif à répartir (Actif net réduit du montant du capital social).

La création d'une entreprise nouvelle donne lieu à la perception d'un droit d'apport sur le montant du capital, les taux sont les mêmes que ceux applicables en matière d'augmentation de capital (cf. 2.2.1.2.).

Il est à signaler qu'une société est fiscalement considérée comme dissoute avec création d'un être moral nouveau si une ou plusieurs cessions de participation ont pour résultat de mettre entre les mains d'une seule personne plus de 90 pour cent du capital social.

Par ailleurs, la cession simultanée ou réalisée par des opérations successives à intervalles rapprochés de tous les droits des membres d'une société à de nouveaux associés ou actionnaires donne ouverture aux droits de mutation d'après la nature des biens possédés par la société et sur la base de leur valeur réelle.

La dissolution d'une entreprise soulève également le problème du sort de son passif.

En effet, dans le cadre d'une simple transformation, c'est la même personne morale qui continue avec les mêmes éléments d'actif et de passif, mais sous une nouvelle forme juridique.

En cas de dissolution d'une entreprise, non suivie de liquidation, avec création d'une société nouvelle, la dévolution à cette dernière de la totalité de l'actif de l'entreprise dissoute doit logiquement être assortie de la prise en charge de son passif.

L'actif de l'entreprise dissoute constituant la garantie de ses créanciers, ceux-ci pourraient revendiquer le droit d'être remboursés sur la réalisation de l'actif, si la reprise du passif n'allait pas de pair avec celle de l'actif.

Bien qu'une entreprise publique ne puisse être mise en faillite ou en règlement judiciaire, ses créanciers peuvent mettre en cause les opérations effectuées au détriment de leurs intérêts.

2.2.3. Conséquences du désengagement sur le régime du personnel

Le personnel des entreprises publiques est, en principe, régi par le Code du Travail en vigueur à Madagascar et les textes d'application de ce Code.

Par exception à ce principe, l'EPIC peut avoir un personnel régi par un statut juridique particulier, qui s'apparente au statut général des fonctionnaires.

En outre, des agents de la Fonction Publique sont quelques fois en exercice dans les EPIC, mais leur situation juridique n'est pas bien définie puisque le statut général des fonctionnaires de 1979 ne prévoit plus la position de détachement.

Dans ces cas particuliers, les conditions d'emploi du personnel de l'EPIC doivent être harmonisées avec celles qui sont applicables aux fonctionnaires.

Le désengagement de l'Etat au niveau de l'entreprise publique n'entraîne, en conséquence, aucune modification du régime juridique de son personnel. La transformation de l'EPIC en une autre forme d'entreprise aboutit, par contre, à l'annulation du statut particulier éventuellement existant et les fonctionnaires qui y sont en exercice doivent, soit démissionner de la Fonction Publique, soit demander à être mis en position de disponibilité.

2.3 Désengagement au niveau de la gestion et du contrôle

2.3.1. Aspects généraux de la gestion et du contrôle des entreprises publiques

Les entreprises publiques sont, dans la plupart des cas, administrées par un organe délibérant désigné sous le nom de Conseil d'Adminstration ou celui de Comité de gestion.

Les personnes composant cet organe sont généralement désignées par voie de texte règlementaires et ses membres sont en majorité des fonctionnaires, représentants des Ministères concernés par l'activité de l'entreprise.

Les dirigeants de l'entreprise publique sont, également désignés par voie de texte règlementaire.

Ces nominations constituent déjà des moyens de contrôle de l'Etat sur l'entreprise.

Si les entreprises publiques présentent une certaine uniformité en ce qui concerne les modes de désignation de leurs organes de gestion ainsi que les règles de fonctionnement de ces organes, leur diversité réside dans les contrôles qui leur sont applicables.

Les deux cas extrêmes sont constituées par la société anonyme à participation publique qui échappe en principe à tout contrôle de l'Etat et par l'EPIC soumise au contrôle de cinq organes différents.

2.3.2. Allègement du contrôle

Il a été déjà exposé que le fonctionnement de l'entreprise publique ressort du domaine des lois et règlement qui doivent en conséquence être modifiés en cas de renonciation à l'application d'une règle expressément prévue.

L'autorité de contrôle détient ses pouvoirs directement des textes de portée générale et impersonnelle. Le fait de l'interdire d'exercer ses pouvoirs envers une entreprise publique particulière doit être autorisé par un texte dérogeant au texte de base.

Ainsi que nous l'avons signalé, il n'est pas tellement indiqué de multiplier les dérogations.

Le contrôle de l'Etat étant différent d'une entreprise publique à une autre, l'on peut en déduire que le choix d'un système de contrôle est étroitement lié à celui d'une forme juridique particulière d'entreprise. Le contrôle pourrait être alors le critère déterminant dans le choix d'un statut juridique.

En cas de transformation d'une entreprise, le changement de système de contrôle constitue un corrolaire de cette opération.

2.3.3. Novation du contrôle

La tutelle de l'Etat sur une entreprise publique se traduit normalement par des instructions, autorisations et approbation de l'autorité.

L'Etat peut également exercer sa tutelle en fixant simplement les règles destinées à encadrer l'activité de l'entreprise et n'interviendrait dans le fonctionnement de cette dernière qu'en cas d'infraction aux règles ainsi posées.

C est le cas des contrats-programmes qui déterminent les engagements réciproques de l'Etat et de l'entreprise. Les objectifs sont fixés et acceptés par les parties et l'autonomie réelle de gestion est assurée aux dirigeants tant qu'ils atteignent ces objectifs.

2.4 Désengagement au niveau du fonds de commerce

2.4.1. Cession de fonds de commerce

La cession de fonds de commerce est un contrat de vente soumis à des formalités particulières, dans le but notamment de préserver l'intérêt des créanciers de l'entreprise.

L'objet de la convention est le transfert de propriété de tous les éléments corporels et incorporels de l'entreprise.

Sur le plan administratif, cette opération est soumise à l'autorisation préalable du Ministre Chargé des Finances, conformément aux dispositions de l'Ordonnance no 73-019 du 22 mai 1973.

Généralement, l'Administration subordonne l'octroi de son autorisation à la reprise par l'acquéreur de la totalité du personnel employé par l'entreprise cédante à l'exploitation du fonds de commerce.

Sur le plan juridique, elle doit être décidée par l'organe délibérant de l'entreprise.

Si l'exploitation du fonds constituait l'unique activité de l'entreprise, la cession pourrait être suivie immédiatement de la dissolution de l'entité subsistante.

La question du sort du passif restant se poserait alors. Les difficultés seraient résolues si l'acquéreur du fonds prenait également en charge le passif. Dans le cas contraire, le cédant devrait prendre les mesures nécessaires pour désintéresser les créanciers.

Sur le plan fiscal, la vente d'un fonds de commerce est assujettie à différents droits, dont les taux varient selon la nature des éléments du fonds cédé, notamment :

. 16 pour cent pour les biens immobiliers;
. 8 pour cent pour les biens mobiliers.

2.4.2. Location de fonds de commerce

La location d'un fonds de commerce est soumise aux même conditions que la cession :-

. Autorisation par les organes délibérants de l'entreprise ;
. Autorisation administrative préalable.

Le passif de l'entreprise bailleresse n'est toutefois pas pris en charge par le locataire, sauf rare convention contraire.

L'entreprise bailleresse reste donc propriétaire de fonds.

La redevance de location est assujettie à la TVT, sauf cas d'exonération expresse.

Elle est en outre passible d'un droit annuel au taux de 4 pour cent.

2.4.3. Cession d'éléments d'actifs

La réalisation par l'entreprise de certains biens lui appartenant est décidée par les organes de celle-ci, habilités par les textes ou les statuts sociaux à cet effet.

La cession d'éléments d'actif n'est pas soumise à une quelconque autorisation administrative. Toutefois, lorsqu'elle entraîne une réduction sensible des activités de l'entreprise, une autorisation préalable du Ministère chargé des Finances est alors nécessaire.

Aux termes du décret no 73 147 du 8 juin 1973, on entend par réduction d'activités, les opérations entraînant :-

. l'arrêt d'un approvisionnement normal en matières, en produits ou en marchandises ;
. la suppression ou l'arrêt d'un secteur participant au chiffre d'affaires de l'établissement.

Au plan fiscal, les droits à acquitter sur la cession d'immobilisation varient en fonction de la nature des biens à céder. Le taux de ces droits est de :-

. 16 pour cent pour les biens immobiliers;
. 8 pour cent pour les biens mobiliers.

Il est à noter que les droits de mutation sur les biens meubles ne sont exigibles qu'en cas d'établissement d'un acte de vente. Le transfert peut en effet se réaliser par voie de simple facturation.

Le prix de cession est à majorer de la TUT au taux de 15 pour cent, dans la mesure où l'entreprise cédante est assujettie à cette taxe.

B. NOTES GENERALES

B.1. SUR LE CONTROLE FINANCIER DES ENTREPRISES PUBLIQUES

Principaux textes législatifs

- Décret No 59-031 du 3 mars 1959, Journal Officiel No 31 du 14 mars 1959 p. 667.

- Décret No 67-025 du 10 janvier 1967, Journal Officiel No 516 du 14 janvier 1967, p. 37.

- Décret No 68-080 du 13 février 1968, Journal Officiel No 578 du 24 février 1968.

Champ d'application du contrôle

- Les établissements publics et d'une manière générale les organismes publics et semi-publics (art. 1 du Déc. 59-031)

- Le contrôle s'applique aux budgets des entreprises et établissements publics ainsi qu'aux opérations sur fonds de comptes spéciaux, comptes hors budget ou de trésorerie, fonds d'emprunts et d'aide extérieure (art. 5 nouveau du Déc. 67-025, dernier alinéa).

Limite du Contrôle

Les dispositions des décrets sus-indiqués ne s'appliquent pas aux organismes qui sont déjà soumis à un contrôle particulier.

Le contrôleur financier

Le contrôle est exercé par le Président de la République lui-même ou par tous services auxquels il déciderait de les confier.

A ce titre, les contrôleurs peuvent être :-

- le contrôleur financier
- le commissaire de gouvernement
- un corps de contrôle dépendant du gouvernement
- tout autre corps de contrôle auquel le gouvernement déciderait de faire appel.

Mission du contrôleur financier

Il a pour mission d'exercer de façon permanente pour le compte du Président de la République et du Ministre chargé des Finances le contrôle sur pièces de l'exécution des dépenses publiques ainsi que de toutes opérations affectant les finances publiques.

Objet du contrôle

1. Le controle des finances

a) Exercé par le contrôleur financier, le contrôle des finances concerne d'une manière générale tout projet ayant une incidence sur les finances de l'établissement ou l'entreprise intéressée.

A cet effet, le contrôle s'exécute au moyen de l'avis ou de visa.

b) Le contrôle peut également être exercé par un commissaire de gouvernement désigné par le gouvernement et agissant dans le cadre des instructions qui lui sont données à cet effet.

2. Vérification ou controle inopiné du gouvernement

Ils sont exercés par les corps de contrôle ci-dessus indiqués ou par le contrôleur financier. Elles sont effectuées dans le cadre d'instructions spéciales du Président de la République et donnent lieu à l'établissement de rapports.

Conditions générales d'exercice du contrôle financier

Les organismes ou établissements intéressés sont tenus de fournir au fonctionnaire ou service chargé de l'exercice sur pièce et sur place de ce contrôle tous documents financiers et comptables et toutes études économiques susceptibles de l'éclairer.

L'exercice du contrôle financier se traduit par la production :-

- d'un rapport sur chaque mission particulière confiée par le gouvernement;
- d'un rapport annuel d'ensemble sur la situation économique et financière des organismes publics et semi-publics de l'Etat Malgache.

Les copies de ce rapport sont adressées aux Ministres intéressés.

B.2. SUR LE CONTROLE DU COMMISSAIRE DU GOUVERNEMENT (C G)

Principaux textes législatifs

Il n'a pas eu de textes particuliers qui déterminent les attributions des Commissaires du Gouvernement. Toutefois, certains textes relatifs aux entreprises publiques prévoient l'intervention du Commissaire du Gouvernement, à savoir :-

- Loi n° 67-007 du 28 juin 1967, JORM du 1er juillet 1967 p.1082, relative à la règlementation des Sociétés d'Economie Mixte.

- Ordonnance n° 73-045 du 9 août 1973, JORM n° 951 du 17 novembre 1973 p. 3779 portant création de la Société d'Intérêt National.

- Décret n° 59-031 du 3 mars 1959, JORM n° 31 du 14 mars 1959 p. 667 relatif au contrôle financier.

- Décret n° 68-080 du 13 février 1958, JORM n° 578 du 24 février 1968, p. 451 portant règlement général sur la comptabilité publique.

Champ d'application du contrôle

Le contrôle du Commissaire du Gouvernement (C G) est effectué dans les entreprises publiques suivantes :-

- les établissements publics à caractère industriel et commercial (EPIC),
- les Sociétés d'Economie Mixte (SEM),
- les Sociétés d'Intérêt National (SIN),
- les organismes publics qui font l'objet d'un contrôle énoncé par l'art. 9 du décret 59-031 ci-dessus indiqué.

Limite du contrôle du C G

Le contrôle du C G ne s'effectue pas sur les autres formes d'entreprises publiques à moins que les textes sur ces entreprises ne le prévoient.

La personne pouvant être Commissaire de Gouvernement

C'est une personne désignée par le Président de la République par décret pris en Conseil des Ministres, parmi les fonctionnaires dont il dispose pour l'exercice des pouvoirs de contrôle général de l'administration qu'il détient de la Constitution.

La mission du C G

. Assurer le contrôle financier des EPIC.

. Suivre pour le compte du Président de la République l'activité de la Société auprès de laquelle il est commis.

. Agir dans le cadre des instructions spéciales qui lui sont données par le Gouvernement.

Pouvoirs du C G dans l'exercice de sa mission

1. Dans les EPIC

. Droit d'assistance au Conseil d'administration. A cet effet, il peut présenter des observations et s'opposer aux décisions du conseil à charge d'en rendre compte au Ministre des Finances et au Ministre de tutelle technique.

2. Dans la S E M

. Pouvoir très large :

- Droit d'assistance aux réunions du Conseil d'Administration et de l'Assemblée Générale.
- Droit d'investigation sur pièce et sur place.
- Droit de veto suspensif dans les séances.
- Droit de convocation à une réunion du Conseil d'Administration ou de l'assemblée générale.

. Il est toutefois interdit à un C G d'être actionnaire de la S E M.

3. Dans les autres formes d'entreprises

- Le pouvoir du C G n'a pas été mentionné dans la S I N. Quant au contrôle du C G énoncé dans le décret n° 59-031, il fait l'objet d'instruction spéciale donnée par le Gouvernement à cet effet.

Les conditions d'exercice du contrôle

1. Dans les EPIC

- Le C G signifie à l'agent comptable de l'établissement les actes et décisions qu'il entend voir soumis à son visa.

- Il présente au Ministre des Finances et au Ministre de tutelle technique un rapport annuel.

2. Dans la S E M

- Tous dossiers sont communiqués au C G avant les séances du Conseil d'Administration ou de l'Assemblée Générale. La copie des procès-verbaux des séances et des délibérations lui est adressées. Il présente les observations formulées à cet effet.

- Le droit de veto suspensif ci-dessus indiqué doit être confirmé et notifié par écrit au Chef du Gouvernement et aux Ministres intéressés. Copies de ces conclusions doivent être adressées simultanément au Secrétariat Général du Gouvernement pour information du Conseil des Ministres.

- Le C G dresse à l'intention du Président de la République un rapport annuel sur les activités de la SEM et de sa situation financière. Ce rapport est diffusé par ses soins aux Ministres intéressés ainsi qu'aux associés publics.

3. Dans les autres formes d'entreprises

- Les conditions d'exercice du contrôle du C G n'ont pas été spécifiées dans les textes régissant la S I N, elles font l'objet d'instructions spéciales dans le contrôle énoncé dans le décret 59-031.

Interdiction

Après l'expiration de leurs fonctions, il est interdit aux Commissaires aux Comptes de devenir administrateurs des sociétés qu'ils contrôlaient pendant 5 ans.

Attribution des Commissaires aux Comptes

On peut les classer sous 3 rubriques :

1. Mission permanente de contrôle comptable

Leur contrôle ne porte que sur l'aspect comptable et financier. Ils vérifient la sincérité et la régularité des comptes de la Société.

2. Missions d'information

a) à l'égard du Conseil d'Adminsitration et de la direction : ils leur signalent les irrégularités relevées ou les rectifications à effectuer;

b) à l'égard de l'Assemblée Générale des actionnaires :

. ils doivent présenter un rapport annuel sur l'aspect comptable et financier;
. ils doivent établir des rapports spéciaux concernant :
  - les conventions éventuellement conclues entre administrateurs et sociétés;
  - les modifications éventuelles apportées à la présentation du bilan ou du compte pertes et profits.

3. Autres attributions

- Obligation de signaler au Procureur de la République les faits susceptibles d'une qualification pénale

- Pouvoir de convoquer l'Assemblée Générale en cas de carence des organes d'administration et de direction.

Responsabilité des Commissaires aux Comptes

- Responsabilité pénale dans certains cas précis : non dénonciation d'infractions, fausses indications volontairement données ...
- Responsabilité civile : pour toutes fautes commises dans l'exercice de leurs fonctions, à l'égard de la société, des actionnaires et des tiers.

La mission de l'I.G.E.

L'I.G.E. a pour mission d'exercer, pour le compte du Président de la République, sur tous les organismes ci-dessus énumérés :-

- le contrôle destiné à sauvegarder les intérêts de l'Etat et les droits des particuliers;

- à suivre l'exécution des lois et des règlements qui régissent les secteurs administratif, économique et financier.

Les conditions d'exercice de l'I.G.E.

Le contrôle de l'I.G.E. s'exerce tant en cours de gestion qu'à posteriori par des missions d'inspection de vérification ou d'enquête.

Ce contrôle est principalement assuré par les Inspecteurs d'Etat. Toutefois, ils sont secondés par les contrôleurs d'Etat qui peuvent être également chargés de vérifier les caisses, ainsi que la comptabilité des crédits, deniers ou matières.

Par ailleurs, dans l'exercice de leur mission :

- Le droit d'investigation des Inspecteurs et des Contrôleurs d'Etat dans les organismes contrôlés n'est soumis à aucune restriction.

- Les Inspecteurs et Contrôleurs d'Etat provoquent de la part des personnels des organismes vérifiés toutes explications qu'ils estiment nécessaires, verbalement ou par écrit.

- Ils peuvent prendre part à tous travaux de commission et d'études intéressant les divers services de l'Etat.

LISTE DE REFERENCE : DECRETS, ARRETES ET ORDONNANCES PORTANT SUR L'OPERATION ET LA REGLEMENTATION DES ENTREPRISES PARAPUBLIQUES SOUS LA TUTELLE DU MPARA ET DU MPAEF

(Liste Partielle)

AAA	MAMISOA	SOMALAC
EEDR	OFMATA	SOMAPALM
FAFIFAMA	SOAMA	SORIFEMA
FEV	SODEMO	SOTHEMAD
FIFABE	SOJUFA	TOLY

ENTREPRISE D'ETUDE ET DE DEVELOPPEMENT RURAL MAMOKATRA

- Arrêté n° 3772/79 du 28.08.1979 - J.O. n° 1327 du 1.09.1979 p. 1971 portant création de l'Entreprise Socialiste "EEDR MAMOKATRA".

- Arrêté n° 3775/79 du 28.08.1979 - J.O. n° 1327 du 1.09.1979 p. 1973 Représentant de l'Etat au sein du Comité de Gestion de l'EEDR MAMOKATRA.

- Arrêté n° 834/85 du 18.02.1985 - J.O. n° 1674 du 23.02.85 p. 362 portant nomination du Président du Comité de Gestion de EEDR MAMOKATRA.

- Arrêté n° 2151/85 du 22.05.1985 - J.O. n° 1688 du 1.06.85 p. 1156 portant confirmation du représentant des travailleurs au sein du Comité de Gestion de l'E S "EEDR MAMOKATRA".

- Arrêté n° 835/85 portant nomination des représentants de l'Etat au sein du Comité de Gestion de l'E S EEDR MAMOKATRA, J.O. n° 1674 du 23.02.85 - p. 362.

- Arrêté n° 3881/79 du 5.09.79 - J.O. n°1328 du 8.09.79 p.2009 nomination Directeur Général = M. RAHARISON Félix Pierre.

F A F I F A M A

(Fampivoarana ny Fiompiana amin'ny Faritra andrefan'i Madagasikara

- Décret n°76-103 du 12.03.1976 - J.O. n°1119 du 3.04.76 p.859 portant création de la Ferme d'Etat FAFIFAMA.

- Décret n°83-252 du 5.07.1983 - J.O. n°1571 du 23.07.83 p.1661 portant rattachement de l'abattoir frigorifique national de Mahajanga à la F.E. FAFIFAMA.

- Décret n°85-070 du 13.03.1985 - J.O. n°1684 du 4.05.85 p.898 portant création d'un Comité de Gestion chargé d'administrer la F.E. FAFIFAMA.

- Décret n°85-071 du 13.03.1985 - J.O. n°1684 du 4.05.85 p. 899 portant nomination des membres et Président du Comité de Gestion chargé d'administrer la F.E. FAFIFAMA.

- Arrêté n°2108/82 du 7.05.82 - J.O. du 15.05.1982 p. 1023 nomination Gérant FAFIFAMA (RAMBELOSON Alfred)

F E V

(Ferme d'Etat de Vohimasina)

- Décret n° 68-123 du 19.03.1968 - J.O. n° 582 du 23.03.68 p.656 portant acceptation par l'Etat Malgache de la location faite par la Société Rochefortaise des Produits Alimentaires, des biens tant mobiliers qu'immobiliers, constituant le complexe industriel de Vohimasina et affectation de cet immeuble au MAER.

- Décret n°68-124 du 19.03.1968 - J.O. n°582 du 23.03.68 p. 656 portant création de la F.E. agricole et industrielle de Vohimasina.

- Arrêté n°154 du 17.01.1974 - J.O. du 12.02.74 p.395 portant affectation au MDRA pour les besoins de la FEV de la totalité des propriétés dites SARPA, ANGE GARDIEN sise à Vohimasina Sous-Préfecture de Fianarantsoa.

- Arrêté n°469/82 du 25.01.1982 - J.O. du 30.01.82 p.125 portant nomination du gérant par intérim de la F.E. FEV (abrogé).

- Arrêté n°2831/82 du 15.06.82 - J.O. du 19.06.1982 p.1272 nomination Gérant FEV.

M A M I S O A

- Arrêté n° 4445 du 16.10.1979 - J.O. n° 1335 du 20.10.1979 p. 2366 portant création de l'E.S. " MAMISOA ".

- Arrêté n° 4446 du 16.10.1979 - J.O. n° 1335 du 20.10.1979 p. 2367 portant nomination du Comité de Gestion de l'E.S. "MAMISOA".

- Arrêté n° 1100 du 6.03.1985 - J.O. n° 1677 du 16.03.85 p.611 portant nomination du Président du Comité de Gestion de l'E.S. "MAMISOA".

- Arrêté n° 1101 du 6.03.1985 - J.O. n° 1677 du 16.03.85 p.611 portant nomination du Directeur Général de l'Entreprise Socialiste MAMISOA.

- Arrêté n° 359 du 21.01.83 - JORDM n° 1542 du 29.01.83 p.159 Augmentation du capital de l'Entreprise Socialiste MAMISOA.

O F M A T A

- Décret n° 69-386 du 26.08.1969 - J.O. n°662 du 6.09.69 p.1896 portant création de l'OFMATA.

- Arrêté n°2740/85 du 2.07.1985 - J.O. n°1697 du 20.07.85 p.1517 portant nomination du Conseil d'Administration de l'OFMATA.

- Arrêté n°2050 du 29.04.1987

- Décret n°81-055 du 03.03.1981 - J.O. n°1423 du 14.03.1981 p.652 portant nomination du Directeur Général de l'OFMATA.

SOCIETE ANDAPA MAMOKATRA

" S O A M A "

- Décret n° 79-034 du 20.02.1979 - J.O. n° 1298 du 17.03.1979 p.583 portant création de la SOAMA et fixant son statut particulier.

- Décret n° 79-202 du 2.08.1979 - J.O. n° 1324 du 11.08.1979 p. 1845 portant nomination du membre du Conseil d'Administration de la SOAMA.

- Décret n°80-087 du 15.02.1980 - J.O. 1364 du 26.04.80 - p. 659 portant nomination du Directeur Général de la SOAMA.

449

S O A V O A N I O

- Décret n°79-203 du 2.08.1979 - J.C. n° 1324 du 11.08.79 p. 1845 portant nomination des membres du Conseil d'Administration de la Société SOAVOANIO.

- Décret n° 80-062 du 5.03.1980 - J.O. n° 1357 du 15.03.80 p.431 portant nomination du Directeur Général de la Société d'Etat SOAVOANIO.

- Décret n° 79-077 du 21.03.79 - J.O. n°1324 du 11.08.79 p. 1838 portant création de la Société "SOAVOANIO" pour l'exploitation et le développement de la nuciculture à SAMBAVA et fixant son statut particulier.

S O D E M O

- Décret n°72-043 du 22.02.1972 - J.O. n°822 du 4.03.72 p.734 portant création de la SODEMO.

- Décret n°77-334 du 30.09.1977 - J.O. n°1218 du 5.11.77 p.2872 portant nomination du Directeur Général de la SODEMO.

- Décret n° 77-356 du 18.10.1977 - J.O. n°1218 du 18.10.77 p.2874 instituant un Comité de Gestion provisoire de la SODEMO.

- Décret n°80-033 du 7.02.1980 - J.O. n°1353 du 16.02.80 p.263 instituant un Comité de Gestion provisoire auprès de la SODEMO.

- Décret n°86-009 du 22.01.86 - J.O. n°1728 du 8.02.86 p. 344, suspendant le Comité de Gestion provisoire auprès de la SODEMO.

S O J U F A

- Décret n°80-204 du 19.06.1980 - J.O. n° 1339 du 13.09.1980 p. 1528 portant modification des articles 15 et 18 de l'annexe du décret n°66-457 du 15.11.66 autorisant la création de la SOJUFA et portant approbation du statut de ladite société.

- Arrêté n°3810/bis du 22.09.1980 - J.O. n°1405 du 13.12.80 p.2165 portant nomination d'un représentant du Ministère de l'économie et du commerce, au sein du Conseil d'Administration de SOJUFA.

- Arrêté n°54-084 du 29.12.1980 - J.O. n° 1411 du 10.01.1981 P. 23 portant désignation des représentants de l'Etat au sein du Conseil d'Administration de SOJUFA.

- Arrêté n°82-311 du 19.07.1982 - J.O. n°1507 du 31.07.83 p. 1659 portant nomination du Président du Conseil d'Administration de SOJUFA.

- Décret n°84-246 du 20.07.1984 - J.O. n°1643 du 11.08.84 P.1694 portant nomination du Directeur Général de la SEM SOJUFA.

- Décision n°32-MPF/SG/DGR du 12.07.83 - J.O. n°1571 du 23.07.83 p.1274 portant encouragement de la SOJUFA.

S O M A L A C

- Arrêté n° 3083 du 2.07.1982 - J.O. n° 1506 du 24.07.1982 p. 1600 portant création de l'E.S. " SOMALAC ".

- Arrêté n° 2790 du 24.02.83 modifiant l'article 6 de l'arrêté 3083 du 2.07.82 - J.O. n° 1567 du 2.07.83 p. 1476, portant nomination des membres de Comité de Gestion de SOMALAC.

- Arrêté n° 3109 du 27.07.1983 - J.O. n° 1574 du 6.08.83 p. 1840 modifiant article 1 de l'arrêté n° 3096/82 du 2.07.82 portant nomination du Directeur Général de SOMALAC.

S O M A P A L M

- Décret n°74-166 du 31.05.1974 - J.O. n°993 du 08.6.1974 p.1522 autorisant la création de la SOMAPALM.

- Arrêté n°1037 du 27.02.1979 - J.O. n°1297 du 10.03.1979 p.513 portant désignation représentant de l'Etat au Conseil d'Administration de la SOMAPALM.

- Arrêté n°2239 du 22.05.1984 - J.O. n°1635 du 30.06.1984 p.1399 portant désignation des membres représentant l'Etat au sein du Conseil d'Administration de la SOMAPALM.

- Arrêté n°43 du 7.01.1985 - J.O. n°1668 du 12.01.85 p.39 agréant la nomination du Président du Conseil d'Administratior de la SOMAPALM.

- Décret n°76-210 du 25.06.76 - J.O. 1135 du 10.07.76 p.1652 Nomination Directeur Général SOMAPALM = M. RAKOTOSOLOMALALA Richard.

SOCIETE RIZICOLE ET FECULIERE DE MADAGASCAR - SORIFEMA -

- Ordonnance n°78-011 du 5.05.1978 - J.O. n°1247 du 6.05.78 p.771 attribuant à l'Etat la propriété de diverses exploitations agricoles situées dans les Fivondronana d'Amparafaravola, Moramanga.

- Décret n°84-042 du 19.02.1981 - J.O. n°1421 du 7.03.81 p.458 portant nomination du Directeur Général de la SORIFEMA.

- Décret n°78-146 du 5.05.78 du 5.05.78 - J.O. n°1247 du 6.5.76 p. 782 fixant composition et rôle de la Commission ad hoc ainsi que le Comité de Gestion des exploitations agricoles nationalisées dans Fivondronana d'Amparafaravola.

S O T H E M A D

- Arrêté n° 670/87 du 13.02.87 - J.O. 1789 du 21.02.87 p. 396

Création de l'Entreprise Socialiste " SOTHEMAD "

T O L Y

- Arrêté n°3089-bis du 7.07.1979 - J.O. n° du
  création de l'Entreprise Socialiste TOLY.

- Arrêté n°5721 du 28.12.1982 - J.O. n°1537 du 4.01.1983 p.4
  abrogeant arrêté 317/81 du 24.01.81 portant nomination des
  représentants de l'Etat et des Collectivités décentralisées
  au sein du Comité de Gestion de TOLY.

- Arrêté n°4708/84 du 8.11.1984 - J.O. n°1659 du 17.11.84 p.2378
  portant nomination Président, représentants de l'Etat et des
  Collectivités décentralisées au sein du Comité de Gestion de
  TOLY.

- Décret n°77-355 du 18.10.77 - J.O. n°1218 du 5.11.77 p.2873
  portant création de Comité de Gestion provisoire de TOLY.

- Arrêté n°4707/84 portant nomination Directeur Général de TOLY
  J.O. n°1659 du 17.11.84 p. 2378.

APPENDIX I

AGRICULTURAL SECTOR STUDY

General Note: The objective of this analysis is to give a broad overview of the key features of the agricultural sector in Madagascar. It is not intended to be comprehensive, but rather to provide sufficient detail to permit our enterprise-level recommendations to be set in an overall sectoral context.

1. GOVERNMENT POLICY OBJECTIVES

The most recent statement of Government Agricultural Policy was published in the official Gazette on 26 July 1986. This Policy Statement covers the period 1986-1990, and has been taken as the basis for setting over recommendations in the context of national policy objectives.

In summary, the main points of current Government strategy for agriculture are as follows :

1. Overall objectives

For the period 1986-1990, there are 3 general objectives :

(i) Food self-sufficiency : priority will be given to cereals and vegetables oils, (especially rice and edible oils).

(ii) Development of traditional exports and diversification of the export base : particular emphasis will be given to boosting production of maize, manioc, meat, tuna, bananas and butter beans.

(iii) Ensure regular supplies to agro-industries : in particular cotton, sugar cane, tobacco, hides and skins, meat, wood and woodpulp.

2. Strategy and Action Plan

The main thrust of policy towards these objectives will concentrate on the rehabilitatior of existing infrastructure, and in particular, promoting peasant agriculture and the better integration of the agricultural and industrial sector.

Specific initiatives in this area will include :

- infrastructure improvements;
- provision of technical inputs;
- economic aspects such as price, taxation and subsidies marketing and transport policies;
- improving support services, such as agricultural credit, securing the rural employment base, improving supply policies for basic needs;
- institutional measures;
- financial resource measures.

3. Specific measures

3.1. Infrastructure

The concentration here will be on all aspects of land management, provision of extension services, rehabilitation of infrastructure, and improving irrigation and water supply.

3.2. Transport and Communication

Distribution facilities will be improved, to ensure that basic needs reach all parts of the country, and that the supply of inputs and the supply price of transport services are adequately maintained.

3.3 Technical Inputs

Policy measures will concentrate on :

- improving fertilizer, pesticide, seed and agricultural equipment provision;
- improving the distribution of factors of production, notably by a better definition of needs and by priority foreign exchange allocation for imported inputs;
- encouraging more private sector participation in ordering, freight, customs clearance, transport services, warehouse management, publicity and sales activities related to the supply of the inputs;
- the progressive abandonment of subsidies to agricultural inputs;
- specific action to improve the performance of regional development enterprises, such as ODR, SOMALAC, SAMANGOKY, FIFABE, a redefined national coffee strategy, progressing the Madagascar Fertilizer Programme, restructuring TOLY, developing further the National Seed Plan, the establishment of a 3-year programme for key inputs such as fertilizer, pesticides, raw materials and spare parts, improving co-ordination between MPARA and MPAEF, and relaunching efficient agricultural credit via ODR.

3.4. Other measures

Extension services and agricultural research will be advanced, and concrete actions will be taken on prices, in particular :

- producers prices should be based on cost + 20 %;
- prices will be subject to periodic inflation-based adjustments;

- products which have to be imported will be taxed at rates which protect local production, the tax revenues being used to undertake further agricultural investment;
- international food gifts will be used to create buffer stocks to stabilise prices.

Various other measures, such as regional storage centres, ministerial training and the establishment of coordinating committees will also be undertaken.

3.5. Ministerial and Institutional Aspects

Improvements to the operation of both agricultural ministries, MPARA and MPAEF, are planned, especially with respect to :

- reinforcing monitoring of projects on an ex post basis;
- equipping ministries with adequate information processing systems;
- improving budgetary and control procedures, and personnel management;
- establishing permanent information systems.

It is also intended to improve interministerial coordination, by means of creating, as necessary, national and regional planning councils, sectoral committees with the Plan, and for coordinating committees on key subjects, such as the cotton sub-sector, and transport issues.

4. Parastatal enterprises

Especially relevant to this project is the policy towards agricultural parastatal enterprises. The full text of this section (II.2.5.3) is as follows :

" The objective for the parastatal sector consists of re-establishing the basic conditions required to improve productivity and profitability. These basic conditions concern both internal measures within each enterprise, (organisation, management, qualification of staff, financial resources and supplies), as well as measures related to the economic environment, (transport and communications, infrastructure, pricing and marketing policy, foreign exchange shortage...)

Once these basic conditions have been satisfied, the role of the State will be limited to :

- fixing the broad guidelines of activities;
- seeking extension and rehabilitation investment funds;
- monitoring and controlling out-turns and, as necessary, encouraging specific remedial action.

The main features of strategy for meeting these objectives will be :

- to seek an accounting balance in applying the real costs associated with all activities, whether production, transformation, distribution, supply or services;
- to give priority to enterprises involved either directly at peasant level in the form of logistic support and training, (regional development companies), or in the vital sectors of the economy (sugar, oil products, cotton) For other enterprises, State intervention will depend upon enterprise viability. Thus, enterprises whose viability is not assured will be liquidated. Conversely, enterprises with potential for restructuring will be rehabilitated either by direct State intervention or by association with the private sector.

The action plan will be implemented as follows :

- carry out financial/diagnostic studies of parastatal enterprises;
- carry out enterprise rehabilitation, for Regional Development Companies, (improving financial performance, defining precise objectives and programmes of activity, restructuring, training and motivating personnel, provision of necessary tools and equipment);
- take under State financial control activities of a public service character;
- reorganise and reinforce monitoring and support services to parastatals."

2. LAND USE

The total land area is 592,000 sq.km. 50 % of this is thought to be cultivable but only 5 % is utilised. 50 % of the cultivated land is under rice. 58 % of the total land area is used for livestock and 20 % is forested.

General orders of magnitude for land use are:

	%	Area/ha'000
Cultivated area	5	2,830 (700 irri.)
Pastures	58	34,000
Forest	21	12,470
Rivers and lakes	2	1,000
Unusable for agriculture	5	2,900
Useable but unutilised	9	5,500
		58,700

Source: Agricultural Statistics 1970

Within the total cultivated area, general cropping patterns are:

	%	Area/ha'000	Plantations
Cereals	37	1,045	66
Pulses	3	72	2
Root crops	10	275	6
Industrial crops:			
short term	3	87	30
long term	10	290	56
Fruits and vegetables	2	46	10
Unidentified/fallow	36	1,013	1
		2,828	171

Source: Agricultural Statistics 1970

3. EMPLOYMENT

88% of the total working population (50% of total population) are engaged in agriculture (4.4 million in 1985) of which 65% are at the subsistence level. 70% of the total population are employed in the production of rice.

A general breakdown of employment by crop is:

Crop	Number of producers
Rice	1,400,000 (estimated)
Coffee	350,000
Cloves	80,000
Pepper	80,000
Vanilla	70,000
Tobacco	30,000 (peak)
Cotton	20,000
Sugar	14,000
Cocoa	2,000
Traditional fishing	6,000
Livestock	1,400,000 (estimated)

Note: estimated numbers assume an average family size of 5

Source: derived from Madagascar Agricultural and Rural Development Memorandum. World Bank. 1983

4. PRODUCTION

FISHERIES

SEA WATER PRODUCTION

Madagascar has a continental shelf area of 135,000 sq.km. and 4,000 miles of coastline. The total potential catch of fish is estimated at 150,000 tonnes per year and that of crustaceans at 8,000 tonnes per year. Of this total of 158,000 tonnes, only about 10 % is landed locally.

PRODUCTION FROM FISHING

Sector	Catch/tonnes
Traditional	10,000 (predominantly fish)
Industrial	5-6,000 (predominantly shrimp prawns and lobsters)

Source : World Bank Madagascar Agriculture and Rural Development Sector Memorandum. 1983.

The use of fish from traditional fishing is generally :

i) 50 % sold fresh in coastal towns;
ii) 20 % for subsistence; and
iii) 30 % dried or smoked and transported inland.

Production from industrial fishing is almost entirely exported. 5,000 tonnes of lobsters, shrimps and prawns were exported in 1984. (Source : EIU County Paper 1987)

All industrial fishing is controlled by joint venture, private/public sector enterprises. The interministerial Commission on Fishing allocates fishing permits annually to each company.

In addition to the Madagascar catch, Japanese, Soviet and European fleets operate in offshore areas. Estimates of their catch (predominantly tuna) are :

Foreign catch/tonnes

1978	1979	1980	1981	1982	1983
38,880	38,020	32,606	33,000	32,501	39,007

Source : FAO Fishery Statistics - adjusted for assumed local catch of 15,500 tonnes per year.

A three year fisheries agreement was signed with the EEC in 1986 permitting EEC catcher of tuna and prawns up to 11,000 tonnes per year in exchange for guaranteed finance of just under $ 600,000. This would bring current annual production to a total of 66,000 tonnes, or

42 % of the available catch.

FRESH WATER PRODUCTION

Madagascar has an inland water area of 500,000 ha which currently yield an estimated 58,000 tonnes of fish per year. These fish form an important dietary supplement in many parts of the country. There is potential to increase production through aquaculture and the development of fish farming in paddy fields and mangrove swamps.

LIVESTOCK

Animal numbers in 1983 have been estimated as :

	No/millions
Cattle (99% zebu)	10,1
Pigs	1,0
Sheep and Goats	2,2
Chickens	17,0

Source : EIU op. cit.

Production is estimated as :

	Production/'000 tonnes
Cattle : - beef	128.0
- hides	17.0
Pigs	37.5
Sheep and Goats	3.0
Chickens	unknown

Source : EIU op.cit. WB op.cit.

CATTLE

Ownership of cattle is of social as well economic importance. Cattle are frequently perceived as a store of wealth in addition to a source of food, power and transport. This has made commercialisaton difficult.

Financial and technical problem with slaughter houses and meat plants have also hindered development of the sector. Madagascar has a quota of 11,000 tons of beef in the EEC market (effectively duty free through restitution payments) but current exports amount only to 800 tonnes (1985). The EEC, in 1985, agreed to finance the rehabilitation of three abattoirs to meet EEC import standards. Capacity of the abattoirs is estimated at 350,000 head per year, which is apparently more than the total volume passing through supervised processing channels.

Primary export products are live animals and canned beef to neighbouring countries in Africa, Mauritius, Reunion and the Comores Islands.

Once social, technical and financial problems have been overcome, the potential for improved production is great. Madagascar is apparently free of major african animal diseases such as rinderpest, East Coast Fever and Foot-and-Mouth Disease although veterinary services to control other diseases such as intestinal parasites, anthrax, blackleg and liver fluke are required. Also, considerable pasture land suitable for improvement is available. Much depends on the outcome of EEC rehabilitation work.

Potential also exists for the export of hides. In 1979, only 9,000 pieces were exported compared to a theoritical potential of 250,000 skins, mainly due to poor quality.

The absence of dairy herds, due mainly to the extensive nature of production, has meant that the three local milk processing plants rely on imported milk powder.

PIGS

Pig meat is a luxury item in Madagascar. Many subsistence farmers keep one or two pigs which scavenge for food. The potential for development is great, especially around major urban centres and in view of the increasing availability of cassava.

SHEEP AND GOATS

Sheep and goats are produced and consumed predominantly in the south of the country.

MAIN CEREAL CROPS

RICE

Production

A primary government objective is to achieve self sufficiency in rice by 1990. From 1966 to 1971, Madagascar was a net exporter of rice. Production since has been unable to keep pace with populaton growth.

Rice Production, Demand And Supply

	Population (million)	Milled rice production (million tonnes)	Rice prod. /inhabit. (kg)	Imports (million tonnes)	Total avail. (mill. tonnes)	Total rice /person/ year (kg)
1981	8.97	1.21	134	0.19	1.40	156
1982	9.23	1.18	128	0.35	1.53	166
1983	9.48	1.29	136	0.18	1.47	155
1984	9.75	1.28	131	0.11	1.39	143
1985	10.02	1.31	130	0.12	1.42	142
1986	10.30	1.36	132	0.16	1.52	148

Note :

Total rice consumed per person includes drawings from Government stocks.

Source : P.Robinson op.cit.

Consumption, depending on region, varies from 135 and 165 kilos of rice per person per year, second only to Burma.

Potential

Numerous programmes and projects now exist with the aim of increasing rice production to self-sufficiency. The potential for increases in cultivated area is limited, especially on the plateau, and will rely, for the most part, on the development of irrigation schemes. The greatest potential for increased production is through improvements in yield through varietal selection (such as the plans breeding work being carried out by IRRI) and the increased use of fertilizer.

CASSAVA (MANIOC)

Production

Manioc is used both as staple food (particularly in the South) and as a supplementary feed for animals. The area under manioc increased until 1985 but has since apparently stabilized at around 320,000 ha. Recent production figures are :

Manioc Production

1981	1982	1983	1984	1985	1986
1.67	1.89	1.99	2.05	2.14	2.19

Source : MPARA Statistique Agricole.

Potential

Little work is apparently being done on research with improved varieties of manioc, it is regarded as the "poor man's" substitute for rice. However, as a source of animal feed and for the tapioca and starch markets, it has proved to be a useful mean of utilising land in areas too dry for the production of other crops.

MAIZE

Production

Maize production is currently relatively low. It is apparently eaten as a "luxury" cereal on the cob, or may have a role in feeding animals such as chickens. Recent production has been :

Maize production (million-tonnes)

-1981	1982	1983	1984	1985	1986
.12	.11	.13	.14	.14	.15

Source: MPARA Statistique Agricole

Potential

The climate appears suitable for maize production on the high plateau and also for a rotation with rice at lower levels. Maize could be a useful source of animal feed and, possibly, sweetcorn.

WHEAT

Madagascar relies almost entirely on imported wheat for the production of bread, etc. However, attempts at producing wheat within the country are having some success. Production is still very limited and the potential for expansion uncertain.

worth around US$ 125 million (assuming that robusta prices have declined from US$ 1.65 per lb to US$ 1.05 per pound)

Details of the value of trade in coffee are given below.

Coffee Exports

Year	Quantity /T	Value/millions Fmg	Value/millions US$	Average Price 1 per lb/US$
1984	51337	77964.6	140.841	1.24
1985	41662	63566.1	95.837	1.04

Note
1. US$ values calculated using exchange rates in Annexe 4.

Source: Situation Economique. Janvier 1986. BDE.

Potential

Research into the introduction of higher value arabica coffees is going on. However, the coffee market is highly volatile, the last 15 months have seen a reduction of almost 50 % in the world price of some coffees, due mainly to the failure of producers to agree on production quotas. If such an agreement is forthcoming and Madagascar receives a favourable quota, and concurrences on improving quality, the future may be brighter. A continuing depression in world prices will cause severe problems for the economy.

VANILLA

Madagascar supplies are estimated 80 % of the world vanilla trade. Production centres in the North East of the country. Most vanilla is grown on smallholdings of less than 0.5 ha. The green vanilla is either exported as such or dried.

Trade

We present below our analysis of vanilla production and trade. Stock figures were not made available to us at the time of our study, therefore only stock changes can be indicated. Also, no figures exist for the domestic consuption of vanilla, but we believe that this consumption would be small in relation to total production.

PEPPER

Madagascar accounts for less than 5 % of the world market for pepper. Production covers some 8,000 ha. Pepper is marketed either as green or red, depending on the degree of ripeness. Black pepper is obtained by sundrying, white pepper by depulping before drying. Most pepper is grown by smallholders. Current yields are only 20 % of the potential yields with improved inputs.

Pepper Production /'000 tonnes

1981	1982	1983	1984	1985	1986
2.9	2.6	2.6	2.6	2.8	2.8

Source : MPAPA.

Trade

Figures on stocks were not available at the time of our study. Export figures for pepper are given below. Madagascar does not apparently import pepper.

Pepper Trade and Revenues

Year	Exports/T	Value Fmg/millions	Value US$/'000
1984	2805	2263.6	4094
1985	2618	3454.1	5260

Note
1. US$ values are calculated using the exchange rates in Annex 4.

Source: BDE op.cit

Potential

Pepper is increasingly being used for the extraction of oleoresins and oils for the world food processing industry. World consumption of green pepper is also rising. The outlook is promising but will require research into better varieties and increased use of fertiliser.

TOBACCO

Tobacco is predominantly a smallholder crop and, except for occasional exports, is absorbed within the domestic market for the production of cigarettes. Little is known about the constraints to tobacco production.

Tobacco Production /'000 tonnes

1981	1982	1983	1984	1985	1986
3.1	2.6	2.1	3.4	4.7	5.5

Source: MPARA Statistique Agricole

Potential

The potential for export is limited by oversupply and the current trend away from the use of tobacco and tobacco products in the developed world.

COTTON

Cotton is an important cash crop in Madagascar. Although formerly exported, it is now all consumed by the local textile industry. The processing of cotton contributes about 33 % of the value added in the manufacturing and extraction industries. Two useful by-products are cotton seed oil and seed cake. Cotton seed oil production is estimated at 1,170 tonnes per year, or approximately 15 % of local demand for cooking oil (denied from WB op.cit. figures at current production levels). Cotton seed cake production is currently approximately 18,000 tonnes.

Cotton Production/'000 tonnes

	1981	1982	1983	1984	1985	1986
Total	28.0	25.9	26.3	32.5	42.7	50.0
Seeds	15.7	14.2	14.5	17.9	23.5	27.5
Refined oil	1.4	1.2	1.4	1.5	1.2	1.8

Source : MPARA, BDE, GFRPM, SEIM quoted in P. Robinson op.cit.

GROUNDNUTS

Groundnuts are produced primarily for local consumption and are an important dietary supplement. In the past (up to 1978) they were also exported in small quantities. Little is known about the constraints on the production of this predominantly smallholder crop. An important use of groundnuts is for oil production, although production has declined drastically since 1977.

Groundnut Production /'000 tonnes

	1981	1982	1983	1984	1985	1986
TOTAL	32.9	31.7	20.8	17.3	31.5	32.0

Of which oil	1.4	0.8	0.09	0.007	0.008	0.008

Source: BDE op. cit

OIL PALM

Oil palms are grown on two industrial estates. Combined production of palm and palm kernel oil reached a maximum of 1,700 tonnes in 1978 but declined to 750 in 1981. Yields and extraction rates are low.

Potential

The potential for satisfying domestic demand for palm oil for soap manufacture is great,although climatic considerations, particularly low overnight temperatures in current plantations, may restrict development.

COCOA

Cocoa is a relatively minor export crop in Madagascar, although production is of high quality and is highly sought after for the production of quality confectionery.

Production has remained fairly stable in recent years. Average holdings are 2 ha.

Cocoa Production /'000 tonnes

1981	1982	1983	1984	1985	1986
1.9	1.9	2.8	3.0	2.3	2.4

Source : MPARA.

Potential

The potential is significant, mainly due to the high quality of production. The climate appears suitable in the north and east of the country provided soils of sufficient depth to accomodate the tap root of the plant can be located.

FORESTRY

Recent estimates of forest areas are:

	Area/'000 ha
Natural forest	12,000
Eucalyptus (mainly coppiced)	150
Pine plantations	110
Total	12,260

Source: WB op.cit. EIU op.cit.

Natural Forests

These forests are found predominantly (54%) in the east of Madagascar. The low standing volumes, the preponderance of non-marketable species and the difficult topography limit their economic value. However, their role in water catchment protection, wildlife conservation and domestic fuel and timber supply is important. They are coming under increasing pressure from "slash and burn" farming with ever shorter rotations.

Eucalyptus

Eucalyptus species plantations are mostly very small and on private land. They are an important source of fuelwood and are managed by coppicing. They also provide charcoal and poles. High yielding stands of *E. grandis* have been established in the Moramanga and *Perinet* areas in good soils. Elsewhere, *E. camaldulensis* and *E. robusta* dominate. Evidence suggests that coppicing rotations are becoming shorter and that dead coppice tables are not being replaced.

Pine plantations

Two major Pine plantations exist:

Location	Age/years	Production potential /'000 cubic m
Matsiatra	29	400-500 per year in perpetuity
Mangoro	17	800 per year in perpetuity

Source: derived from information supplied by the WB

The stands at Matsiatra are now in urgent need of management as they are becoming overcrowded. Growth rates are good, but extraction is severly restricted by a lack of transport facilities, in particular roads. Also, there are no wood processing facilities of any significance in the area. There is therefore a great urgency to establish such facilities in order to take advantage of the plantation's considerable production potential.

upplementary Notes to

riculture Sector Study

We attach to this sector study four supplementary notes, as follows:

1. Price and Marketing System
2. Import Regime in Madagascar
3. Taxation System for Agricultural Products
4. Exchange Rates

1. SYSTEME DE PRIX ET DE COMMERCIALISATION

Le texte de base qui régit le régime des prix à Madagascar date de 1973 (Ordonnance n° 73-054 du 11 septembre 1973). Le principe en est que les prix limites ou minima, du stade de la production aux différents stades de commercialisation ou à l'exportation peuvent être fixés par des textes réglementaires.

Cette réglementation a connu une évolution qui va dans le sens d'une libéralisation, surtout depuis 1986-1987.

1. Marges bénéficiaires maxima autorisées à Madagascar

C'est en matière de marges commerciales que l'évolution de la réglementation est la plus récente, puisqu'elle date de mars 1987.

Auparavant, les marges commerciales étaient réglementées par l'arrêté n° 951-FIN/COM/SPO du 4 mars 1970. Cet arrêté fixe pour un certain nombre de produits (agricoles ou manufacturés) des taux de marges bénéficiaires maxima au stade de gros et de détail. Ces taux s'appliquent à des prix de revient réglementaires. Pour les autres produits, les marges maxima à chaque stade sont de 40 %.

L'arrêté n° 1479/87 du 20 mars 1987 constitue une libéralisation dans le sens que les marges bénéficiaires commerciales sont soumises au régime de la libre concurrence à l'exception d'une liste de produits divisés en deux catégories. La catégorie A regroupe des produits que l'on peut qualifier de "produits de première nécessité" bien que le texte ne le dise pas de manière explicite. Les taux de marge maxima sont fixés à 10 % pour le stade de gros et 15 % pour le stade de détail. Le groupe B regroupe les médicaments, piles électriques, matériaux de construction, petit matériel, équipement et intrants agricoles, effets et articles scolaires. Pour ce deuxième groupe, les taux sont respectivement de 25 % et 35 %.

Il convient de noter que l'huile alimentaire et le savon de ménage font partie de la catégorie A.

2. Prix des produits agricoles et conditions de commercialisation

2.1. Prix des produits agricoles

Suivant les termes de l'ordonnance de 1973, "lorsque le prix d'un produit de l'agriculture, de l'élevage ou de la pêche n'est pas fixé au stade de la production, des arrêtés interministériels, ministériels ou provinciaux peuvent constater les cours normaux de ce produit ou définir les modalités de cette constatation."

De manière générale, il s'agit de prix planchers aux producteurs fixés par campagne. Des arrêtés provinciaux établissent également, par Fivondronana, des mercuriales fixant des prix planchers aux producteurs et des prix plafonds aux consommateurs au début de chaque campagne.

Ces mercuriales devraient avoir préalablement l'agrément du contrôle financier, du Ministère du Commerce et du Ministère de l'Intérieur, mais dans la pratique, il semblerait que ce circuit d'agrément n'est pas toujours respecté.

Le régime de prix des produits agricoles ne semble pas avoir connu de changement radical.

Régime actuel

Ce régime est précisé par le décret n° 86-092 du 2 avril 1986 selon lequel, à l'exception de la canne à sucre, pour laquelle le prix est fixé (par voie d'arrêté), tous les produits agricoles sont sous le régime des prix planchers. Pour les produits dits "stratégiques" et regroupant les produits à caisse, plus précisément café, girofle, poivre, vanille, ainsi que le soja, le paddy, le blé, les prix planchers sont fixés par arrêtés interministériels (MPARA et Ministère du Commerce au minimum). Les prix sont discutés en commissions regroupant des représentants de chaque ministère compétent. Le MPARA propose en principe un prix calculé sur la base des coût de production.

Calcul du prix plancher proposé par le MPARA

Le service des études économiques au MPARA est chargé des études concernant les prix aux producteurs. Ce service nous a exposé trois méthodes

de calcul : la méthode frontière, le coût de la technique marginale, et enfin la méthode réellement appliquée par le MPARA.

. LE PRIX FRONTIERE

C'est un prix qui est calculé sur la base du prix CAF du produit à l'importation (exemple : le blé). Le prix est obtenu en soustrayant au prix CAF toutes les charges et frais depuis le port jusqu'au producteur. Le calcul appliqué a fait ressortir un prix au producteur très faible, ne reflétant pas le revient réel, et n'a donc pas été adopté.

. COUT DE LA TECHNIQUE MARGINALE

La technique marginale est la technique améliorée donc un mode de production intensif. Cette méthode a donné une valeur trop élevée. Bien qu'elle a été suggérée pour les prix aux producteurs des produits à caisse notamment au cours des négociations de la CASA, le MPARA n'a pas décidé d'adopter cette méthode.

. METHODE APPLIQUEE PAR LE MPARA

Il s'agit d'un coût moyen de production à l'hectare dans une zone de référence différente suivant le produit. Ce coût correspond aux dépenses courantes pour les plantes annuelles, et pour les plantes pérennes comme le café, le calcul du coût de production tient compte de la rémunération des investissements et des immobilisations de fonds jusqu'à la phase de regénération de la plantation.

Exemple du café :

Le coût moyen est un coût moyen pondéré suivant l'importance des exploitations traditionnelles et celle des exploitations améliorées. Un calcul de coût de production pour chaque type de technique utilisée est donc effectué. Ce coût tient compte :-

- des coûts spécifiques : . valeur locative de la terre;
  . redevances d'aménagement;
  . coûts de transport;
  . rémunération de fonds immobilisés.

- les coûts des différentes phases de la production (phase d'installation, phase "jeunes cultures", phase "production", phase "regénération") (pour les plantes annuelles : phase de production uniquement):

  . rémunération de la main d'oeuvre;
  . rémunération des services (location du matériel agricole);
  . coût des intrants.

- du rendement à l'hectare.

$$\text{Prix} = \frac{\text{total des charges par hectare}}{\text{rendement}}$$

Remarque : ce calcul du MPARA tient compte de toutes les données disponibles (exemple : données émanant de l'opération café, etc...).

Il convient de signaler que les prix définitivement proposés doivent aussi refléter la politique visée pour le produit. D'autre part, les services concernés au Ministère du Commerce sont sensés effectuer des enquêtes auprès des consommateurs et essayent également d'établir des prix à leur niveau. Ces études ou propositions peuvent également émaner des caisses de stabilisation sous tutelle du Ministère du Commerce.

2.2. Conditions de commercialisation des produits agricoles à Madagascar

Par "commercialisation" des produits agricoles, il faut entendre :
- le collectage;
- le groupage;
- l'acheminement vers les centres de stockage ou de triage;
- la transformation;
- la mise en vente.

Le système de commercialisation des produits agricoles a connu une évolution marquée vers la libéralisation.

Le décret du 10 février 1965 n° 65-046 qui réglemente la collecte des produits agricoles à Madagascar mentionne que seuls les collecteurs agréés peuvent effectuer la collecte de produits agricoles.

En 1974, après la création de la SINPA, la commercialisation de certains produits agricoles est devenue un monopole de cette dernière (décret n° 74-079 du 1er mars 1974 pour le riz, arrêté interministériel n° 2153 du 5 juin 1974).

En 1977, un décret n° 77-284 du 2 septembre 1977 supprime le monopole de la SINPA, et par le décret n° 77-285 du 28 septembre 1977 la commercialisation des produits agricoles sur l'ensemble du territoire malgache devient réservée à l'Etat par le biais des Sociétés d'Etat et à participation majoritaire de l'Etat.

Depuis 1983, on assiste à une libéralisation progressive. Ainsi, les décrets n° 83-313 du 31 août 1983 et n° 83-191 du 27 mai 1983 ont respectivement libéralisé la commercialisation des grains secs et du riz (sauf dans les zones d'action du FIFABE et de SOMALAC). Les exportateurs quant à eux doivent se conformer à la réglementation en vigueur relative aux exportations.

Le régime actuel est défini par le décret n° 86-092 du 2 avril 1986. A l'exception de la canne à sucre laquelle est soumise au régime du monopole, la commercialisation de tous les produits agricoles est soumise au régime de la libre concurrence. Toutefois, pour les produits à caisse, en particulier le café, le girofle, le poivre et la vanille, le monopole de l'Etat est maintenu à l'exportation et la circulation à l'intérieur du territoire est réglementée.

Fonctionnement des caisses de stabilisation

Le rôle essentiel des caisses de stabilisation à Madagascar consiste à éviter ou à réduire l'incidence sur le producteur des brutales fluctuations de prix sur le marché mondial des matières premières et ceci en garantissant un prix FOB.

- Si le cours mondial est inférieur au prix FOB garanti, la différence est payée par la caisse ;

- Si le cours est supérieur au prix FOB garanti, la différence est encaissée par la caisse.

Pour le café, la vanille, le girofle, il existe un Fonds National Unique de Péréquation (FNUP) géré par la Banque Centrale, par l'intermédiaire duquel

fonctionne la péréquation. Ce fonds est détenu par les caisses elles-mêmes dans le cas de l'arachide et du poivre. Seule la caisse sucre ne joue plus ce rôle de stabilisation.

Les produits à caisse sont donc : le café, la vanille, le girofle, le poivre, l'arachide et la canne à sucre.

Autres actions des caisses de stabilisation

. REDUCTION DE L'OFFRE

Dans le but de réduire le déséquilibre offre demande et donc de favoriser la remontée des cours.

Mais elle assure aussi la présence permanente du pays sur le marché. Ainsi à Madagascar, les caisses de stabilisation échelonnent l'exportation tout au long de l'année. Pour cela, seule la caisse a droit de négocier le marché extérieur en vue, et elle donnera l'autorisation d'exporter aux opérateurs. Une indemnité de stockage est versée aux conditionneurs-stockeurs en contrepartie de cette immobilisation temporaire de fonds.

. AUGMENTATION DE LA CONSOMMATION

Pour cela, les caisses doivent financer des campagnes publicitaires, lutter contre les données de synthèse et conquérir de nouveaux marchés.

Ainsi, par exemple, avec l'apparition de la vanilline, la vente de la vanille naturelle sur le marché mondial a connu une baisse. Pour y rémédier, la caisse de stabilisation de la vanille à Madagascar avec d'autres pays producteurs de l'Océan Indien ont lancé une publicité permettant de faire connaitre aux consommateurs le produit naturel. Depuis le marché s'est à nouveau élargi.

Actuellement, une réglementation oblige les utilisateurs à mentionner sur les étiquettes le produit utilisé.

. PARTICIPATION A L'AMELIORATION DE LA PRODUCTION (quantitativement et qualitativement)

Pour assurer ce rôle, les caisses de stabilisation allouent chacune un budget pour des recherches agronomiques et biologiques (amélioration génétique, lutte contre les maladies...).

Elles doivent également inciter les producteurs en proposant un prix plancher rémunérateur.

Cas particulier de la caisse de stabilisation de la canne et du sucre

Cette caisse ne joue plus le rôle de stabilisation et ne propose plus un prix plancher aux producteurs. Ces deux fonctions sont maintenant jouées par les sociétés sucrières elles-mêmes.

Quant aux exportations, la caisse ne fait que suivre les opérations.

- Elle joue encore un rôle de promoteur comme les autres caisses en participant dans des recherches d'amélioration de variété de la canne.

- Etablit une péréquation à la distribution pour le sucre. Ainsi les coûts d'achat du sucre par les sociétés d'Etat seront les mêmes quelque soit leur provenance.

Etablissement du prix FOB garanti

Le différentiel est établi par la caisse à partir du prix plancher fixé par arrêté. Toutes les charges supportées par les collecteurs, les conditionneurs-stockeurs jusqu'à l'embarquement des produits sont calculées pour obtenir le prix de revient réel. Les différents frais (transport en particulier) n'étant pas les mêmes selon la provenance du produit, un même produit peut avoir des prix de revient différents.

Une marge bénéficiaire est ensuite appliquée pour obtenir un prix FOB garanti, qui est alors différent selon la provenance du produit.

3. Système de prix des produits manufacturés

3.1. Régime de l'homologation

Le principe était, suivant l'arrêté n° 1407-MEC/SG/3/SPE du 22 avril 1975, que tout prix à la production de produit industriel ou artisanal était soumis à homologation préalable auprès du Ministère du Commerce (prix de produit nouveau ou majoration de prix).

Ce régime a connu une libéralisation progressive depuis l'arrêté n°2942/84 du 11 juillet 1984, abrogeant celui du 22 avril 1975. Les prix industriels ont été libéralisés pour un certain nombre de produits dont la liste a été précisée par le circulaire n° 641-MC/DCE. Cette liste a été allongée par la suite.

Procédure d'homologation

Toute demande d'homologation doit être déposée simultanément auprès du Ministère du Commerce et du Ministère de l'Industrie, de l'Energie et des Mines. L'Administration dispose d'un délai de trente jours pour faire connaitre sa décision ou formuler ses observations.

L'arrêté n°3728/84 du 30 août 1984 précise les éléments pouvant entrer en ligne de compte pour la détermination du prix de revient réglementaire des produits manufacturés. Il s'agit, de manière générale, de tous les frais et charges liés directement à l'exploitation. En outre, chaque poste de la structure du prix de revient devrait être conforme, soit à la réglementation en vigueur (exemple : prix du transport) soit aux indications données par la profession concernée.

Le prix de vente loco-fabrique est constitué du prix de revient réglementaire majoré de la marge industrielle.

Pour les autres produits dont les prix ne sont plus soumis à homologation, la structure de prix ainsi que le prix pratiqué doivent néanmoins être communiqués aux Ministères compétents. La marge industrielle ne devait pas dépasser 25 % du prix de revient réglementaire.

3.2. Régime actuel

Une déclaration du Ministre de l'Industrie, de l'Energie et des Mines datant du 14 août 1986 va dans le sens d'une libéralisation des prix des produits manufacturés à l'exception des "produits de première nécessité". Cette déclaration n'a pas encore été confirmée par textes.

Notons que le plan quinquennal 1981-1986 définit les produits considérés "de première nécessité". Il s'agit des douze produits suivants :

- riz
- viande
- sel
- allumettes
- sucre
- bougie
- huile
- farine
- tabac
- savons
- piles
- médicament.

Cette liste diffère légèrement de celle des produits de la catégorie A définis dans le texte concernant la libéralisation des marges commerciales (arrêté du 20 mars 1987).

3.3 Exemple de la fixation des prix des huiles alimentaires

Prix sortie usine

Les prix de vente sortie usine des huiles alimentaires raffinées locales sont soumis à homologation. Ces prix, ainsi que les conditions de commercialisation des huiles alimentaires sont fixés par arrêté interministériel (Ministères du Commerce, de l'Industrie, des Transports, MPARA).

La dernière fixation de prix date du 19 mars 1987 (Arrêté interministériel n°1461/87). La fixation antérieure remonte au 7 décembre 1985, par arrêté interministériel n° 5217/85. Les prix ainsi fixés concernent les prix de vente sortie usine des huiles alimentaires raffinées locales suivantes, par tonne emballée, taxe de consommation comprise :

- huile de coton
- huile de palme
- huile d'arachide/soja.

Notons que le taux de la taxe de consommation a été modifié par la loi de finances pour 1987, passant d'un taux de Fmg 20/Kilo à 10 % du prix de vente sortie usine. Ce changement de taux constitue la principale évolution entre les prix de décembre 1985 et ceux de mars 1987.

Le prix sortie usine homologué est donc constitué du prix de revient majoré de la marge industrielle, de la taxe de consommation ainsi que du coût de l'emballage (fût en l'occurence).

Prix de vente à chaque stade de commercialisation

Suivant l'arrêté n°1461/87 du 13 mars 1987, les prix de vente des huiles alimentaires raffinées locales à chaque stade de commercialisation seront déterminés à partir des prix sortie usine fixés par l'arrêté, majorés :-

- des frais connexes de transport dûment justifiés;
- des taux de marges bénéficiaires admises;
- et de la taxe unique sur la transaction (TUT).

Il convient de rappeler que depuis l'arrêté n°1479/87 du 20 mars 1987 les marges bénéficiaires commerciales maxima autorisées pour la vente des huiles alimentaires sont respectivement de :-

- 10 % au stade de la vente en gros
- 15 % au stade de la vente en détail.

Dans l'arrêté de décembre 1985, les marges maximales étaient fixées respectivement à Fmg 15 000/tonne et Fmg 18 000/tonne.

Notons enfin que les prix de vente au consommateur des huiles alimentaires locales et d'importation, conditionnées dans des emballages spéciaux, tels que bouteilles plastiques, boites métalliques ou autres, sont soumis à homologation du ministère chargé du commerce.

2. REGIME D'IMPORTATION A MADAGASCAR

1. Caractéristiques de l'ancien régime

Un programme général d'importation était élaboré au niveau ministériel. Il fixait les contingents en valeurs ouverts pour l'importation de marchandises et était porté à la connaissance des importateurs par voie d'avis publié au journal officiel.

. Obligation d'être titulaire d'une carte d'importateur. La faculté d'importer était soumis à l'obtention d'un agrément du Ministère du Commerce, lequel donnait lieu à la délivrance d'une carte d'importateur valable une année.

L'agrément a été supprimé en 1984. Il a été remplacé par une simple autorisation consécutive à un dépôt de dossier de renseignements au Ministère du Commerce pour pouvoir obtenir un numéro d'identification qui tient lieu de carte d'importateur.

. Procédure de licence

A l'exception d'un certain nombre d'opérations (échantillon, envois sans caractère commercial...), l'entrée de marchandises à Madagascar n'est autorisée qu'au vu d'une licence d'importation délivrée dans le cadre du programme général d'importation.

L'obtention d'une licence est subordonnée soit à l'octroi d'une autorisation globale d'importation, soit à l'attribution préalable de quota.

. Attribution de quota

Les contingents fixés dans le cadre du programme d'importation sont répartis entre les importateurs. Les importateurs étaient donc tenus de demander au Ministère du Commerce des quotas d'importation, lesquels sont attribués suivant un certain nombre de critères.

Les importateurs disposent d'un délai de six semaines à compte de la date de notification, pour déposer les demandes de licence d'importation correspondant aux marchandises pour lesquelles un quota leur a été attribué.

. Le compte spécial en devises EPI

En 1983, un règlement est intervenu, créant un compte spécial en devises dénommé EPI (Exportations/Pièces détachées - Intrants).

Le but de ce compte était de permettre aux entreprises industrielles ou agro-industrielles exportatrices dégageant des plus-values importantes en devises, d'avoir une plus grande utilisation de leur capacité de production et de contribuer à l'amélioration de la situation générale de la balance des paiements du pays.

La procédure consiste à donner à cette catégorie d'entreprises la faculté de faire réserver par la Banque Centrale une partie des devises provenant de leurs exportations pour servir au financement des importations de matières premières et de pièces de rechange qui leur sont nécessaires.

. Première libéralisation des importations

Un avis en date du 13 avril 1985 a porté à la connaissance des importateurs une liste de produits qui font l'objet de licences d'importation automatiques dans le cadre du programme général d'importation, au titre de l'année 1985.

Ces produits étaient répartis en deux catégories : ceux soumis à appel d'offres, principalement constitué par des matières premières, et ceux non soumis à appel d'offres, composés de petit outillage pour menuiserie et produits sidérurgiques, emballages pour conditionnement de vanille, calibreur à café et médicaments, instruments et équipements médico-chirurgicaux. Toutefois, les importateurs étaient toujours tenus de requérir une autorisation préalable du Ministère du Commerce.

Certaines licences octroyées dans le cadre de cette libéralisation n'ont pu être réalisées, même à la fin de l'année 1985, faute de disponibilités en devises.

. Deuxième libéralisation

Elle porte dispense de l'autorisation d'importation en faveur des entreprises industrielles exportatrices. Les importations visées concernent les pièces de rechange et intrants, les petits équipements.

Lesdites entreprises ne bénéficient plus de compte EPI.

Ces importations concernent ceux nécessaires pour assurer les productions destinées au marché local et au marché extérieur pour des entreprises réalisant 50 % de leur chiffre d'affaires à l'exportation, et uniquement celles qui concernent les productions destinées à l'exportation pour les entreprises réalisant moins de 50 %.

2. Le régime d'importation libéralisé (RIL)
(Arrêté interministériel n°5618/86 du 24 décembre 1986)

Sont libéralisées à compter du 2 janvier 1987 dans la limite des devises disponibles sur ressources propres, les importations d'intrants, pièces de rechange, petits équipements et biens de consommation destinés à la revente et à l'utilisation finale, à l'exception des produits alimentaires et de l'énergie.

Toutes les importations liées au régime libéralisé doivent rentrer dans le cadre du programme général d'importation. Toute soumission est soumise au paiement d'un droit fixe non remboursable de 10 % du montant de la soumission.

Les importations émargeant sur des sources de financement extérieures sont également assujetties au paiement du droit fixe de 10 % (à l'exception des équipements), calculé sur le montant de la licence. Ces dernières sont dispensées des formalités de présentation de soumission.

La soumission d'importation est mensuelle et doit être déposée au ministère chargé du commerce ou aux services provinciaux du commerce au plus tard le 3ème jour ouvrable de chaque mois. Toute soumission doit être accompagnée, pour être valable, d'une garantie bancaire délivrée par la banque domicilitaire et d'une pièce justifiant le versement du droit fixe de 10 %.

Les autorisations de change sont attribuées aux soumissionnaires le 15ème jour ouvrable de chaque mois, suivant la formule suivante :-

$$A(i) = D \times \frac{S(i)}{S(+)}$$

où A(i) = autorisation par opération soumissionnaire
(i) = opérateur soumissionnaire
S(i) = soumission mensuelle de chaque opérateur
S(+) = soumission totale des opérateurs
D = devises disponibles du mois.

Ces autorisations de change, dont la validité est de un an à compter de la date de leur délivrance, sont cumulables.

L'importateur, notifié de son autorisation de change, peut déposer les licences y afférantes auprès du ministère chargé du commerce ou des services provinciaux du commerce. Les licences d'importation sont valables pour embarquement un an à compter de la date de leur délivrance.

Régime spécial

Les entreprises exportatrices de biens et services à l'exception des produits à caisse (café, vanille, girofle, sucre) peuvent bénéficier d'un régime spécial consistant en l'exemption du droit fixe de 10 %.

. Pour les entreprises réalisant plus de 50 % de leurs chiffres d'affaires annuels à l'exportation : elles sont autorisées à importer en exemption de droit la totalité des intrants, pièces de rechange et petits équipements nécessaires à leurs activités de production destinées à la consommation locale ainsi qu'à l'exportation.

. Pour les entreprises réalisant moins de 50 % de leurs chiffres d'affaires annuels à l'exportation : elles sont autorisées à importer en exemption de droit d'une part les pièces de rechange et petits équipements nécessaires à leurs activités de production destinées à la consommation locale ainsi qu'à l'exportation ; et d'autre part, les intrants destinés à leurs activités d'exportation sous régime d'admission temporaire.

<u>Remarque</u> :

. Peuvent bénéficier du RIL, l'administration et tout agent économique résident.

. Licence :

- conditions à remplir par le demandeur :
  * bénéficiaire du régime spécial ;
  * bénéficiaire d'une allcoation de crédit en devises ;
  * béné iciaire de lignes de financement spécifiques (CCCE, KFW, ...).

. Prix de vente : Fmg 4 000/licence

. La licence : - concrétise l'allocation de crédit en devises;
- sert d'ordre d'inspection SGS;
- vaut autorisation d'importer, donc de dédouanement.

3. SYSTEME DE TAXATION DES PRODUITS AGRICOLES

Les produits agricoles sont susceptibles d'être frappés de taxes à deux niveaux :

1) droit au profit de la collectivité décentralisée à l'occasion de transaction ayant lieu dans une collectivité donnée ;

2) taxes à l'exportation à l'occasion de la sortie du territoire malgache.

1. Droit au profit de la collectivité décentralisée

Il s'agit soit d'un "prélèvement" soit d'une "rémunération de collecte" ou "ristourne".

C'est la loi n° 80-035 portant loi de finances 1981 qui mentionne dans son article 21 des "Dispositions spéciales", le pouvoir des Collectivités décentralisées à effectuer des "prélèvements" sur les produits agricoles non frappés par la "rémunération de collecte ou ristourne". Cette dernière est instituée par l'Arrêté ministériel n°2767/78 du 13 juin 1978.

Les produits agricoles, forestiers, d'élevage et de pêche sont frappés de l'une ou de l'autre sorte de droit, et ne peuvent être frappés qu'une seule fois entre le producteur et la transformation éventuelle. Les produits frappés par la ristourne sont essentiellement les produits "stratégiques". Elle est payée par le collecteur et est fixée par campagne en même temps que le prix plancher : il s'agit d'un montant fixe (exemple 2 F/Kg). Les autres produits sont donc frappés par un "prélèvement" dont le taux est fixé annuellement par arrêté du Président du Comité exécutif du faritany et ne doit pas dépasser 3 % du prix plancher au producteur.

2. Taxes à l'exportation

Elles sont de deux sortes :-

- les droits de sortie;
- la taxe conjoncturelle qui est instituée par l'Ordonnance n°76-049 du 29 décembre 1976.

La liste des produits frappés de l'une ou l'autre de ces deux taxes actuellement est la suivante :

Exchange Rates US$/Fmg

	1984	1985	1986
1st Quarter	489.38	678.95	623.67
2nd Quarter	565.13	680.21	635.80
3rd Quarter	612.07	658.76	682.95
4th Quarter	625.66	625.99	750.38

These exchange rates were obtained by averaging the daily rates on the 1st and 15th day of each month.

Source: Coopers & Lybrand based on Central Bank data.

ANNEXE J

ETUDE DES RESSOURCES EN CAPITAUX

2. STRUCTURE FINANCIERE

Cette partie de l'annexe présente une description des principales ressources en capitaux existant à l'heure actuelle à Madagascar et parallèlement des possibilités de placement qui sont offertes sur le marché à leurs détenteurs.

Il est évident que ne pourra être analysé dans ce cadre que le secteur dit "formalisé", c'est-à-dire, celui qui fait appel à un minimum de règles financières et juridiques pour la mobilisation et l'utilisation de l'épargne nationale.

Nous allons ainsi étudier les principales institutions financières qui, d'une part, concourent à la mobilisation de l'épargne nationale, et, d'autre part, participent aux investissements dans le secteur productif.

2.1 Les Banques

Le système bancaire malgache comprend la Banque Centrale et les trois Banques primaires en l'occurence la BNI (Bankin'ny Indostria), la BTM (Bankin'ny Tantsaha Mpamokatra) et la BFV (Banky Fampandrosoana Ny Varotra).

Les principales missions confiées à la Banque Centrale sont l'application et le suivi de la politique de crédit ainsi que la gestion de la masse monétaire et des devises. Dans ce cadre, les moyens utilisés sont notamment le contrôle de la surliquidité des Banques par le plafond de réescompte et l'encadrement du crédit par l'obligation d'une autorisation préalable pour toute ouverture, reconduction ou extension de crédit supérieur à Fmg 100 millions.

Les trois banques primaires étaient initialement orientées chacune dans un secteur déterminé de l'économie:

- la BNI dans la promotion du développement industriel;
- la BTM dans la promotion du développement rural;
- et la BFV dans la promotion et la diversification du commerce tant intérieur qu'extérieur.

Les participations des 3 Banques dans les Sociétés malgaches sont décrites brièvement ci-après:

- ainsi, au 31.12.86, la BNI détenait des participations dans 55 Sociétés pour un montant total d'environ Fmg 8 milliards, soit en moyenne 15% du capital de ces Sociétés.

Il faut noter que la plupart de ces Sociétés se situent dans le secteur industriel et que la BNI ne détient la majorité des actions que dans quatre Sociétés sur 55, la participation maximum en valeur étant détenue au niveau de la STAR pour Fmg 1.693.775.000.

- les participations de la BFV et de la BTM dans les sociétés malgaches sont beaucoup plus limitées puisqu'elles ne s'élevaient respectivement qu'environ Fmg 950 millions (pour 15 Sociétés), Fmg 625 millions (pour 30 Sociétés) avec des parts souvent minoritaires d'ailleurs du capital de ces Sociétés.

Les participations de la BTM sont orientées essentiellement vers le secteur agricole (MALTO..) et agro-alimentaire (SOMAPALM, JB....). Celles de la BFV sont multisecteurs mais concernent principalement TISMA pour Fmg 725.000.000 millions.

Il y a lieu de relever que de nombreuses Sociétés malgaches sont lourdement endettées vis-à-vis des Banques et qu'il pourrait être envisagé de consolider ces dettes en capital.

S'agissant des prises de participation, elles ont été, a priori, effectuées dans un but lucratif. Cependant, il semble clair que dans de nombreux cas, ces investissements ont été dictés par le rôle national que se doivent de jouer les Banques en raison de leur situation importante au niveau du financement de l'économie. Comme l'a souligné fort opportunément le Directeur Général d'une des 3 Banques, il s'agit d'un "devoir national". Une pression plus ou moins directe de l'Etat est sans doute également intervenue.

2.2 Les Compagnies d'assurances

Le marché des assurances à Madagascar est détenue par les deux Sociétés nationales à participation majoritaire de l'Etat, en l'occurence les Compagnies ARO et NY HAVANA.

De par la nature de leur activité, ces deux Sociétés participent à la mobilisation de l'épargne et disposent d'excédents financiers importants pouvant être investis dans le secteur productif de l'économie.

2.2.1 Les Compagnies d'assurances comme mobilisateurs de l'épargne

Les Compagnies d'assurances participent mais de façon relativement limitées à la mobilisation de l'épargne nationale, principalement individuelle par le biais des contrats d'assurance-vie qu'elles proposent.

Ce type de produit ne représente cependant qu'une part minime dans le chiffre d'affaires total des deux Compagnies (moins de 10% pour NY HAVANA et moins de 6% pour ARO) avec un volume total d'environ Fmg 1,2 milliards en 1986.

Le faible développement du marché de l'assurance-vie à Madagascar parait lié à trois principales causes:

- d'une part, la faiblesse du pouvoir d'achat du Malgache moyen qui a déjà été explicitée précédemment;
- d'autre part, une mauvaise connaissance des produits offerts liée à un manque de sensibilisation au niveau du public;
- en dernier lieu et surtout, la concurrence d'autres placements à rendement plus lucratif et plus immédiat.

2.2.2 Les Compagnies d'assurances comme investisseurs

Comme les Banques, les Compagnies d'assurances ont participé aux efforts d'investissement entrepris depuis une dizaine d'années.

Les montants des participations des 2 Compagnies dans les Sociétés malgaches sont sensiblement équivalents et s'élèvent à l'heure actuelle et pour chacune des deux Compagnies à environ Fmg 1,4 milliards avec une quarantaine de Sociétés pour ARO, et une quinzaine de Sociétés pour NY HAVANA.

Pour les deux Compagnies, les investissements réalisés sont liés globalement à une spéculation financière pure mais peuvent tenir compte également des rendements induits en matière de potentialités d'assurances.

Par ailleurs, la notion d'intégration au niveau d'un processus de production apparait primordiale. Ainsi s'explique l'investissement effectué par ARO dans la Société MAMISOA, en relation avec sa participation majoritaire dans KOBAMA.

Il faut noter cependant que les prises de participation ne représentent qu'un faible part des placements effectués par les Compagnies d'assurances sur leurs excédents financiers, l'essentiel étant effectué sur les bons du Trésor, les emprunts nationaux, les dépôts à terme et les bons de caisse.

Ainsi, les prises de participation ne s'élèvent qu'à moins de 25% des placements totaux de NY HAVANA et à moins de 5% de ceux de ARO.

Il faut relever qu'en plus du rendement lucratif, la politique de placement est également liée aux obligations légales au niveau des valeurs mobilisées admises en représentation des provisions techniques. Et à cet égard, les placements financiers purs présentent certainement un moindre risque.

A titre indicatif, notons que la politique d'investissement à court terme de NY HAVANA est de se doter d'un parc immobilier propre en vue de la mise en place d'un réseau commercial direct. L'investissement ainsi prévu est estimé à Fmg 2 milliards.

Les intérêts au titre de cet emprunt sont payables à terme échu le 1er janvier de chaque année nets d'impôts et ne sont pas assujettis à l'IRCM:

- Bons du Trésor: il s'agit des valeurs des trésor public émises suivant le décret n°81-024 du 14 février 1981 qui se composent de 2 types de titres:
  - . catégorie A: coupure de Fmg 1.000 à échéance d'un an
  - . catégorie B: coupures de Fmg 50.000, Fmg 10.000, Fmg 50.000, Fmg 100.000 et Fmg 1.000.000, à échéance d'un an, deux ans, trois ans, quatre ans ou cinq ans suivant le choix du souscripteur lors de la souscription.

Notons que pour les personnes morales suivantes, la souscription est obligatoire et est calculée sur la base du chiffre d'affaires ou du cash-flow net réalisé au cours du dernier exercice clos:

. les établissements bancaires;
. les Compagnies d'assurances;
. les Entreprises socialistes;
. les Sociétés d'Etat ou à participation de l'Etat;
. les Personnes morales de droit privé réalisant un chiffre d'affaires supérieur à Fmg 10.000.000.

Les Bons du Trésor sont assortis d'un intérêt non impossible perçu d'avance au moment de la souscription à des taux qui varient suivant les catégories et les échéances de 5,75% l'an et 9,25% l'an.

Au 31/12/86 le montant total des Bons de Trésor étaient de Fmg 14.006 millions, (chiffre fourni par le Acct-Direction du Trésor). Ce solde se décomposait comme suit:

- 99% souscrits par les Compagnies d'assurances, les Banques et les Entreprises, et principalement les souscriptions obligatoires;
- 1% environ seulement souscrit par les particuliers.

comme suit:

Tranche de Dépôt	Nombre de livrets	Montant (Fmg)
- 0 à 3.000	112.246	126.378.490
- 3.000 à 100.000	71.965	1.236.566.891
- 100.000 à 250.000	4.387	608.720.643
- 250.000 à 500.000	3.563	1.100.388.218
- 500.000 à 750.000	1.072	645.100.986
- 750.000 à 1.000.000	493	421.283.001
- plus de 1.000.000	1.130	5.488.350.627
TOTAL	194.896	9.626.788.856

Source: Caisse d'épargne de Madagascar.

Il y a lieu de relever que les tranches de dépôt supérieures à Fmg 1.000.000 concernant pour environ Fmg 3.000.000.000 les dépôts de cautionnement des comptables publics. Le dépôt ordinaire moyen se situe donc à environ Fmg 50.000 et 94% des dépôts (en nombre de livrets) figurent d'ailleurs dans la tranche 0 à Fmg 100.000. Ceci souligne le niveau social relativement bas des déposants à la Caisse d'épargne.

2.5 Le FNI

Le FNI est un Organisme public crée initialement, semble-t-il pour gérer le portefeuille de l'Etat et financé directement ou indirectement par l'Etat (dotation en capital, prélèvement sur certaines recettes fiscales etc...).

Les Banques pensaient, quant à elles, que le FNI jouerait le rôle de Banque de développement qu'elles-mêmes ne pouvaient assumer en raison du déséquilibre de leurs ressources.

Dans la pratique, le FNI s'est retrouvé comme opérateur technique et financier dans un certain nombre de projets qui lui ont été rétrocédés par l'Etat et concernant notamment certaines nouvelles unités industrielles créées au début des années 80: CIMA, SOABE, LALASOA, ZEREN, MAMISOA.

(ii) Contrairement à celui de 1973, le Code 1985 définit de façon explicite le groupe de secteurs réservés à l'Etat, notamment:

. les Banques et les Assurances;
. la production avec distribution d'énergie et d'eau courante;
. la construction navale pour des bâtiments dépassant un certain tonnnage;
. les activités relevant du Code pétrolier;
. les activités minières.

Tous les autres secteurs sont ouverts aux investisseurs privés.

L'Etat peut même solliciter les investisseurs privés pour participer dans les secteurs qui lui sont réservés.

(iii) On peut noter que, pour la première fois, l'agriculture et le tourisme sont cités comme secteurs éligibles au bénéfices des avantages du Code.

(iv) Les éléments considérés comme investissements sont énumérés de façon expresse.

Il s'agit:

. des frais d'établissement;
. des immeubles affectés à l'exploitation;
. des immeubles d'habitation destinés au logement du personnel;
. des installations fixes ou équipements à caractère technique ou commercial, y compris les frais de pose et de montage;
. du matériel roulant, à l'exclusion des voitures particulières.

Si l'article 2 définissant ces investissements a la qualité de la précision, il semble avoir un caractère trop limitatif et n'englobe pas toutes les formes possibles d'investissement et en particulier les investissements financiers (simple prise de participation).

(v) Le Code institue une règle d'automaticité dans l'obtention des avantages prévus dès lors que les critères exigés sont respectés.

Ceci devrait théoriquement éliminer tout arbitraire de la part de l'Administration puisqu'on se base désormais sur des critères objectifs. Dans la politique, cependant, vu le nombre restreint d'agréments obtenus jusqu'à présent sur les dossiers présentés par les Cabinets d'études, il semble que le libre pouvoir d'appréciation de l'Administration demeure absolu.

Conditions d'Eligibilité

Les conditions d'admission communes aux régimes préférentiels du nouveau Code des Investissements sont énumérés par l'article 10 et comprend quatre éléments impératifs:

- l'entreprise doit appartenir à l'un des 12 secteurs économiques énumérés à savoir:
  . culture industrielle;
  . élevage industriel;
  . pêche industrielle;
  . industrie forestière et reboisement industriel;
  . industrie de préparation ou de transformation des produits d'origine végétale animale ou forestière;
  . entrepôts frigorifiques; stockages et conditionnement de produits alimentaires;
  . recherche, extraction ou transformation de substances minérales ou hydrocarbures;
  . industries manufacturières et artisanat de production;
  . production d'énergie et d'eau;
  . industrie de tourisme et de l'hôtellerie;
  . travaux publics et construction;
  . transports et communication.

- l'entreprise doit concourir à la réalisation des objectifs de développement économique et social du pays.
  Théoriquement, c'est le Plan qui devrait servir de cadre de référence pour l'appréciation de cette condition;

- l'entreprise doit être viable techniquement, économiquement et financièrement;

- l'entreprise doit présenter un bilan de devises positif. L'admission aux régimes préférentiels comporte également l'engagement de l'entreprise de satisfaire à certaines obligations générales et notamment:

. utilisation en priorité des matériaux, matières premières, produits ou services locaux;

. emploi en priorité et formation du personnel local.

Les différentes catégories de régimes préférentiels

Trois régimes préférentiels sont prévus par le nouveau Code:

- l'agrément prioritaire;
- les PME agréées;
- le contrat du partenariat.

L'agrément prioritaire est en quelque sorte le régime général par rapport auquel les deux autres régimes peuvent être définis.

Le régime des PME agréées concerne spécifiquement cette catégorie d'entreprises en leur accordant un certain nombre d'avantages complémentaires. Le contrat de partenariat est relatif aux grands projets présentant un intérêt majeur sur le plan économique et social et pour la réalisation desquels l'Etat s'associerait avec des partenaires privés. Les avantages prévus pour ce régime sont ceux de l'agrément prioritaire auxquels pourront s'ajouter des avantages particuliers négociés au cas par cas.

Avantages de l'agrément prioritaire

Ces avantages concernent une grande partie des diverses catégories d'impôts, et de droits douaniers et principalement:

- Taxe d'importation: exonération sur les importations de matériels et d'équipements
- Impôt sur le revenu: une distinction est faite entre la création d'entreprises d'une part, l'extension ou la diversification d'activités d'autre part.

Pour les premières, une exonération est prévue pendant les premières années d'exploitation avec par la suite, une réduction des taux.

Les secondes bénéficient uniquement d'une réduction du taux, le taux de réduction étant donné en % par formule:

$$\frac{\text{Investissements nouveaux}}{\text{Investissements existants réévalués}}$$

- Réduction de 50% du droit de mutation pour l'acquisition d'immeubles.

Avantages complémentaires des PME agréées

Ces avantages sont octroyés uniquement dans le case des créations et concernent:

- l'exonération de l'impôt sur le revenu pendant toute la durée de l'agrément;
- l'exonération de la taxe professionnelle pendant les 3 premières années d'exploitation;
- les droits d'apport en capital qui sont réduits de moitié.

Les Avantages financiers, économiques et sociaux

Les dispositions d'ordre financier concernent la confirmation des droits:

- à l'attribution des devises pour l'importation. Rappelons, cependant, que, d'une part, toute importation est conditionnée par les disponibilités en devises de la Banque Centrale et, d'autre part, à partir de l'année 1987 a été mis en place un nouveau régime de base d'importation dénommé "Régime d'Importation Liberalisé" (RIL) auquel sont soumis toutes les Entreprises désirant importer;

- au transfert à l'étranger notamment des droits de licence, royalties ou redevances pour assistance technique, autorisé à 100% si les contrats ont été autorisés et visés par le Ministère des Finances;

Comme précédemment, ces transferts ne peuvent être effectués que dans la limite des disponibilités en avoir en devises de la Banque Centrale.

Les PME agréées bénéficient d'un avantage complémentaire consistant en un accès privilégié aux lignes de crédit spécifiques et aux prêts bancaires aux PME.

Dans le cadre des avantages économiques et sociaux, il est spécifié que l'administration donnera un appui aux entreprises agréées pour le recrutement et la formation du personnel local.

Par ailleurs, l'emploi du personnel expatrié sera autorisé dans les cas où les besoins ne pourraient être satisfaits par le personnel local. Il faut toutefois noter que ce personnel doit être titulaire d'une autorisation d'emploi et que son contrat de travail doit être visé par le Ministère du Travail.

Questions pratiques et points en suspens

1. Chaque Ministère économique devrait élaborer dans les secteurs relevant de sa compétence les textes nécessaires à l'application de la loi en ce qui concerne notamment:

- la détermination de la durée de l'agrément;
- la définition des PME;
- le plan type du dossier de demande d'agrément.

Seul jusqu'à présent le Ministère de l'Industrie a proposé un projet de plan-type et une définition de la notion de PME.

2. Certains textes en vigueur au niveau de la législation des changes et de la législation en matière de propriété foncière ne sont pas sans incidence au niveau de l'application du Code.

On peut en particulier signaler que la prise de participation au capital d'une société malgache supérieure à 20% de ce capital par des personnes physiques ou morales résidant à l'étranger ou par des Sociétés malgaches sous contrôle étranger est soumise à autorisation préalable du Ministère des Finances.

S'agissant de la propriété foncière, l'acquisition par des étrangers des biens immobiliers est soumis à autorisation préalable au Ministère de l'Intérieur. Actuellement, il semble que les autorisations consenties dans ce cadre soient très rares.

Conclusion

Il est acquis que, contrairement à certaines idées préalables, l'instauration d'un Code des Investissements ne constitue pas la panacée pour la mobilisation des investissements privés tant locaux qu'étrangers à Madagascar.

A cet égard, les résultats peu encourageants des missions d'opérateurs économiques étrangers venus à Madagascar pour rechercher des opportunités d'investissement sont significatifs.

Nonobstant la sortie des arrêtés ministériels devant préciser quelques aspects pratiques, trois points principaux paraissent être à l'origine de l'inefficacité relative du nouveau Code, à savoir:

1. La question primordiale pour l'investisseur étranger, du rapatriement des dividendes et des honoraires d'assistance technique ne trouve pas actuellement de réponse satisfaisante, compte-tenu des difficultés financières du pays.

2. Comparativement aux Codes mis en place dans d'autres pays notamment africaines, présentant ces mêmes opportunités d'investissement que Madagascar, le texte malgache présente certainement beaucoup moins d'avantages.

Par ailleurs, on ne peut nier avec l'orientation libérale nettement affirmée de la plupart de ces pays, instaure un climat de confiance plus propice à la mobilisation des investissements privés.

3. La rigidité des structures administratives au niveau de l'accueil et de l'autorisation des investissements privés ne parait pouvoir être assouplie qu'à moyen terme.

L'existence de ces "insuffisances" au niveau du cadre général d'application du Code explique peut-être le succès relatif du contrat de partenariat dont les quelques expériences actuellement en cours laissent entrevoir un développement potentiel.

En effet, ce contrat dont les conditions se discutent directement et au cas par cas entre l'Etat et le partenaire privé, se place finalement au délà des avantages généraux prévus par le Code. (Il convient de noter quand même que se concentrer sur les contrats de partenariat ne permet pas nécessairement l'établissement de la transparence dans l'octroi des incitations vers l'investisseur, ni la cohérence des incitations entre un projet et un autre).

3.2 Absence des marchés secondaires des capitaux

A Madagascar, il n'existe aucun marché secondaire des capitaux. Autrement dit, il n'y a ni Banque de développement, ni "merchant bank", ni bourse. L'opportunité pour l'introduction de nouveaux modèles de financement ou pour la mise en place d'une structure visant à la mobilisation de l'épargne et des investissements privés vers le financement des entreprises productives, est ainsi très restreinte.

Néanmoins, en dépit de cette pénurie de facilités financières sophistiquées, il y a eu quelques indications dans les années récentes d'une capacité du secteur privé et des marchés financiers à investir dans certains projets. En plus, on constate qu'il y a eu récemment quelques développements positifs dans la mise en place surtout auprès des Banques de nouvelles organisations visant à l'encouragement d'un service de financement plus souple à Madagascar.

A titre d'exemple, on peut citer:

- la vente des actions au public pour certaines Entreprises, à savoir STAR, COTONA et SOTEMA;

- la vente des actions à l'intérieur de certaines entreprises (c'est-à-dire à certains employés) par exemple, les Compagnies d'assurances ARO et NY HAVANA;

- la création d'une association des paysans à la SOMALAC, visant à l'attribution de plus de responsabilités d'autonomie et de contrôle des travailleurs auprès de ses propres emplois;

- plus d'autonomie de gestion pour les Banques suite à la création récente de Comités de gestion séparés pour chacune des trois Banques avec la participation des représentants de secteur privé, remplaçant l'ancien Comité de gestion unique pour les 3 Banques;

- plus d'autonomie des Compagnies d'assurances dans la prise de décisions et de l'établissement de leur politique d'investissement (développement très récent selon les Directeurs des deux Sociétés avec lesquelles nous avons discuté de cet aspect);

- la proposition, en train d'être développé par une des Banques, de créer une Société internationale avec un partenaire étranger qui aura pour but:

  (i) de préparer des possibilités d'investissements par la voie des joint-ventures malgaches-étrangers;
  (ii) de rassembler des paquets de financement pour des projets spécifiques notamment par la voie des investisseurs privés nationaux, des Banques, des Compagnies d'assurances et des intérêts étrangers;
  (iii) de fournir des services d'appui et de conseil surtout sur le plan marketing et recherche des marchés.

- Notons aussi une reconnaissance en particulier auprès des Banques malgaches de la nécessité et de la justification de créer les liaisons avec des partenaires étrangers pour fournir à l'économie malgache la technicité et la capacité en marketing et en gestion, nécessaires pour le développement du secteur productif.

Bref, on constate que, petit à petit, la nécessité d'un "merchant bank" à Madagascar est en train d'être établie tenant toujours compte du fait que jusqu'à présent, il y a peu de progrès dans la pratique, et qu'il existe toujours une divergence entre les projets et ce qui est réellement possible.

Pour pouvoir avancer davantage ces développements, il y a certaines préconditions à satisfaire avant que l'on puisse réellement arriver à un marché financier souple et créatif à Madagascar. En particulier:

- <u>il n'y a pas une bourse</u>: pour pouvoir considérer une politique de privatisation classique - à savoir la vente

générale des actions au public - il faut créer un marché formalisé pour l'échange et surtout pour l'établissement des prix du marché pour les actions. Quoiqu'il soit improbable d'envisager une bourse à Madagascar dans l'immédiat, il pourrait néanmoins être possible d'envisager en marché formalisé auprès des trois Banques commerciales, à titre d'un "mi-chemin" entre une bourse formalisée et l'absence complète actuelle.

- il n'est pas établi l'impossibilité de mobiliser l'épargne nationale pour l'achat des actions des entreprises privatisées: d'après notre recherche à Madagascar et nos discussions avec des représentants du Privé, nous constatons qu'il n'y a pas de contraintes absolues qui empêcheraient la participation du public auprès des entreprises. Dans la section suivante on indique les problèmes actuels au niveau de la faible rentabilité du secteur productif mais dans le cas où, par exemple, une entreprise donnée deviendrait rentable par la voie des initiatives de privatisation, nous sommes convaincus qu'il serait possible de réserver une proportion de la vente des actions proposées aux petits épargnants malgaches. Bien sûr, la capacité de l'épargne n'est pas énorme mais elle existe et, sous des conditions appropriées, on ne voit aucune contrainte absolue à empêcher la participation de l'épargnant privé.

3.3 Problèmes de rentabilité des entreprises

Même si des structures institutionnelles financières à Madagascar ont déjà été créées pour mobiliser l'investissement privé et pour permettre l'établissement d'un marché d'actions, l'expérience récente au niveau de la rentabilité des entreprises dans le pays n'est pas globalement encourageant.

A titre d'exemple, on peut citer l'expérience actuelle de la Compagnie d'assurance NY HAVANA. Selon, le Directeur général, dans les années récentes, la Société a investi dans trois formes de placements:

- bons de trésor avec un taux d'intérêt de 19% par an sur 10 ans;
- dépôts à terme auprès des Banques avec un taux d'intérêt de 15% par an;
- la participation de la Société dans une portefeuille d'investissements dans le secteur productif pour un montant total d'environ Fmg 1400 millions avec un taux de rendement moyen inférieur à 5% par an.

Quoiqu'il n'y ait pas de chiffres précis disponibles donnant le rendement de la participation des Banques dans les entreprises, on peut estimer que la rentabilité de ces investissements n'est pas encourageante.

On constate que, par rapport aux taux de rendement qui sont réalisables par la voie des investissement à terme dans les bons de trésor, dépôts à terme etc..., les participations dans des entreprises productives à Madagascar sont en moyenne peu attractives pour l'investisseur.

Dans le cas où le taux de rentabilité d'une ou des entreprises peut être amélioré, et donc une proposition détaillée et un prospectus d'investissement qui présentent à:

- une bonne possibilité d'investissement;
- un risque acceptable;
- un rendement intéressant non seulement en matière de niveau des dividendes mais également au niveau de la croissance en valeur des actions: il est probable que l'investisseur privé à Madagascar sera prêt à participer.

Une conclusion importante de notre esquisse sur le climat d'investissement à Madagascar est donc qu'étant donnée la mise en place de tous les éléments sus-mentionnés (marchés adéquats des capitaux, projets d'entreprises réformées, établissement des prospections d'investissements fiables, professionnels et intéressants, possibilité des projets d'investissements rentables), il est bien possible d'envisager la participation des investisseurs privés.

3.4 Cadre fiscal

Cette section présente les principales dispositions fiscales en matière d'épargne et de placements existant actuellement à Madagascar.

Il va sans dire que les taxes ou avantages fiscaux afférents, à chacun des modes de placement proposés ne seront pas sans incidence sur le choix final du détenteur de capitaux quand à l'orientation du placement de ses fonds. Il faut cependant noter qu'il existe un certaine ignorance, au niveau du public en général et même de certaines sociétés des avantages fiscaux en matière de placements.

Il convient de rappeler au préalable les principaux impôts pouvant frapper les produits des placements financiers à Madagascar:

- l'IBS (Impôt sur les bénéfices des Sociétés) s'applique aux revenus de nature réalisés à Madagascar. L'imposition est établie au taux de base de 45%;

La Loi des Finances 1987 a institué des taux préférentiels de 35% et de 40% respectivement pour les sociétés à activité exclusivement agricole et pour les sociétés à activité exclusivement industrielle, minière et hôtelière.

- l'IRNS (Impôt sur les revenus non salariaux de personnes physiques) auquel sont soumis les revenus réalisés à Madagascar par des personnes physiques qui n'ont pas la qualité de salariés ou d'associés de sociétés de personnes.

- l'IRSA (Impôt sur les revenus salariaux et assimilés) auquel sont soumis les rémunérations fixes ou variables versées à un salarié les tantièmes et jetons de présence distribués aux administrateurs plafonnés à 60%. Notons que l'IRSA est retenu à la source par l'employeur;

- l'IRCM (impôt sur le revenu des capitaux mobiliers) qui s'applique principalement aux revenus distribués aux associés actionnaires et administrateurs de Sociétés. Le taux de droit commun est de 25%. L'IRCM est également retenu à la source par la Société ou l'organisme payeur.

Bons du trésor

Les intérêts des bons du trésor sont affranchis de l'impôt sur les bénéfices des Sociétés (IBS) et l'impôt sur les revenus non salariaux des personnes physiques (IRNS).

Par ailleurs, les revenus épargnés au cours d'une année donnée pour l'achat de bons de trésor à un an au moins peuvent ouvrir droit l'année suivante, sur demande et notification écrite du service des Contributions directes, à déduction dans un limite de 25% sur l'IRNS et l'IRSA (impôts sur les revenus salariaux et assimilés).

Emprunt national

Sont exonérés de l'IBS et de l'IRNS et de l'IRSA, les intérêts versés par le Trésor dans le cadre d'un emprunt national.

D'autre part, les revenus épargnés au cours d'une année donnée et reversés au trésor en participation à un emprunt national, peuvent ouvrir droit l'année suivante, sur demande et notification écrite du fisc, à déduction dans une limite de 25% sur l'IRNS et l'IRSA.

Caisse d'épargne

Les intérêts versés par la Caisse d'épargne de Madagascar sont affranchis de l'IBS et de l'IRNS.

Par ailleurs, l'avoir moyen à la Caisse d'épargne de Madagascar au cours de l'année d'acquisition des revenus imposés peut ouvrir droit, l'année suivante, à une déduction dans la limite de 25% sur l'IRNS et l'IRSA.

Relevons à titre indicatif les avantages fiscaux considérables accordés, en cas de construction ou d'extension d'immeuble, ce qui explique en partie, l'engouement des Malgaches pour ce type de placement.

En effet, les sommes investies pour une année donnée pour la construction ou l'extension d'un immeuble fixé au sol à perpetuelle demeure et destiné à l'habitation principale du contribuable peuvent donner lieu à déduction à partir de l'année suivante celle de l'investissement et dans une limite mensuelle de 25% du revenu imposable sur l'IRNS et l'IRSA.

Le montant cumulé des déductions à ce titre ne peut toutefois excéder Fmg 10 millions.

4. DIAGNOSTIC

Cette section de l'annexe présente les point-clés au niveau de l'étude du marché des capitaux à Madagascar.

4.1 Régime de l'épargne nationale

Il s'agit d'estimer ici l'épargne nationale au sens purement financier du terme, c'est-à-dire, le stock de monnaie disponible dans les institutions financières, les entreprises ou chez les particuliers (l'épargne de l'Etat ne nous intéressant pas dans le cadre de cette étude).

Nous nous limiterons d'ailleurs au niveau de cette section à l'analyse plus particulière du régime de l'épargne privée et dans une certaine mesure de celle des entreprise, hors institutions financières.

4.1.1 Epargne des particuliers

Il est difficile d'établir un chiffre précis en matière d'épargne privée à Madagascar en raison notamment de la non monétarisation d'une partie de l'économie (particulièrement en milieu rural).

consistent en l'assurance des biens, il est évident que les règles des réserves obligatoires auxquelles elles sont assujetties limiteraient leur capacité de considérer des investissements à long terme et à risque. Dans l'immédiat, les possibilités pour une participation des sociétés d'assurances paraissent ainsi peu encourageantes.

Il faut rappeler d'ailleurs que la politique d'investissement à court terme d'une des 2 Compagnies d'assurances est axée sur la réalisation d'un parc immobilier propre en vue de se doter d'un réseau commercial direct.

Le Fond National d'Investissement, historiquement un bras exécutif du Trésor n'a pas jusqu'à présent joué un rôle très actif notamment dans le secteur agricole. Parmi les entreprises, dans la liste des 34 au début de cette étude, seule la MAMISOA figure parmi les participations importantes du FNI. En plus, le FNI n'a jamais joué le rôle escompté de Banque de développement à Madagascar, notamment par les Banques primaires.

Dans le futur, le FNI pourrait se transformer en une institution financière plus souple et plus créative, mais dans l'immédiat, il est peu probable qu'il puisse jouer un rôle très actif au niveau de la création des fond d'investissement capables d'encourager une politique de privatisation.

La Caisse d'épargne représente, bien sûr, une source de concurrence vis-à-vis des autres possibilités d'investissements pour l'épargnant privé, mais n'est pas encore pour le moment un investisseur proprement dit.

Par ailleurs, il ne faut surtout pas négliger l'importance de l'économie parallèle dont le rendement parait très lucratif.

Actuellement, en matière d'épargne purement financière, il existe déjà un réservoir relativement important chez les particuliers dans lequel il serait possible de puiser dans le cadre d'une éventuelle privatisation du secteur parapublic.

de ses créances dans certaines entreprises et, compte tenu également des expériences malheureuses, notamment dans SOMAGEL et des contraintes légales en matière de réserves techniques, ne nous semble pas, à court terme, disposé à accroître ses prises de participation.

4.3 Problèmes Clés

(i) Il y a un manque de crédibilité auprès du public en général et des investisseurs nationaux en particulier quant à la rentabilité potentielle du secteur productif parapublic compte tenu des revers enregistrés jusqu'à présent.

A notre avis il conviendrait, pour rétablir une certaine confiance dans ce cadre d'élaborer un ou des projets de démonstration suffisamment convaincants.

(ii) Ce manque de crédibilité existe également au niveau des investissements étrangers et est lié notamment à l'absence de garantie quant au rapatriement des dividendes et des frais et honoraires d'assistance technique et de gestion.

Une "redynamisation" de l'investissement étranger exigerait sans doute la création de conditions spéciales dépassant les restrictions normalement en vigueur en matière de contrôle des changes.

(iii) Actuellement encore, les principales possibilités de financement de la politique de privatisation restent au niveau des institutions financières qui sont cependant à participation majoritaire de l'Etat.

Afin que ces institutions puissent effectivement jouer le jeu de la privatisation, une plus grande libéralisation serait nécessaire dans la prise de décision afin de leur permettre de choisir et de gérer leurs participations de manière cohérente.

(iv) Il y a une absence totale de marchés de capitaux adéquats dans le pays. Il n'est pas possible d'envisager une politique de privatisation tournée vers le public en général en l'absence de mécanismes souples et créatifs visant à la mobilisation de l'investissement privé.

(v) La concurrence au niveau des autres formes de placements est sévère, tout en ce qui concerne les avantages financiers que fiscaux ou autres.

Afin de rétablir un certain équilibre, il conviendrait peut-être de proposer des incitations particulières par la création d'instruments financiers plus innovatifs et de mesures fiscales moins contraignantes.

5. CONCLUSIONS

On constate que les marchés financiers malgaches sont rudimentaires, et nonobstant la disponibilité d'un certain réservoir d'épargne et d'une certaine capacité d'investissement au niveau du secteur privé, le climat d'investissement à l'heure actuelle n'est pas dynamique.

A court terme, la meilleure possibilité pour une relance du secteur productif par la voie d'une politique de privatisation reste la création des consortiums financiers avec notamment les Banques, une partie de secteur privé (surtout les groupes privés qui sont relativement liquidés) les investisseurs étrangers, et, dans un sens minoritaire, peut-être d'autres institutions financières à Madagascar. Il faut souligner ici l'importance de la mise en vigueur du Code des Investissements et la création de garanties sans équivoques pour l'investisseur étranger au niveau du rapatriement des dividendes, frais, honoraires etc.

A plus long terme, il existe la possibilité de développer des modèles financiers plus modernes. Par exemple, la participation directe des employés au capital de leur propre entreprise, et peut-être la vente des actions au public en général. A ce niveau, des préconditions à satisfaire sont:

- la création d'un marché secondaire, et en définitive d'une bourse (ce qui pourrait contribuer à la mobilisation d'une partie du secteur non institutionnel);

- la création de nouveaux instruments et nouvelles institutions financiers, par exemple, des fonds de participation pour canaliser l'investissement vers les secteurs prioritaires qui, en même temps sont susceptibles à des incitations fiscales pour l'investisseur et également la création d'une Banque de développement à Madagascar suivant les modèles classiques existant à l'étranger;
- surtout la création d'un climat encourageant et positif pour l'investisseur capable de produire un taux de rentabilité intéressante auprès des entreprises par rapport aux autres possibilités d'investissements, et un cadre économique plus libéral et plus souple pour l'investisseur tant national qu'étranger.

Study Team, Sources and Bibliography

A. Study Team

The core team for this project consisted of 18 professional staff under the overall direction of Mr. J. Haybyrne, a Director of Coopers & Lybrand, USA. The core team was as follows:-

Project Manager: Mr Graham TODD — Coopers & Lybrand

Enterprise Teams

1.	Mr. Roger MANRING	Coopers & Lybrand
	M. Philippe Maunot RAKOTOMIHAMINA	Rindra
	M. Barnabes RANDRIANASOLO	MPARA
2.	Ms. Pamela WATSON	Coopers & Lybrand
	M. Gabriel RANAIVO	Rindra
	M. Yves RAKOTONDRAZAFY	MPARA
3.	Mr. Michael TREVOR	Coopers & Lybrand
	Mme. Diana MANANJEAN	Rindra
	Mme. Orly RABEONY	MPAEF
4.	Ms. Christian CARROL	Coopers & Lybrand
	Ms. Fidele RAFENOMANANTSOA	Rindra
	Mme. Blandine RAZAFIARIMANANA	MPAEF

Agricultural Sector Study

Mr. Geoffrey CROOKS	Coopers & Lybrand
Mme. Lalao RANAIVO	Cabinet Ramaholimihaso
Mme. Annie Michele RAJAORIMALALA	

Legal Studies

M. Zakasoa Henri RANAIVOSON	Cabinet Ramaholimihaso

Capital Resources Study

Mr. Graham TODD	Coopers & Lybrand
M. Mamy RAKOTOARIVELO	Cabinet Ramaholimihaso

Secretaries to the Study team:

Mme. Paco ANDRIATSIVOH
Mme. Michele NORO RALISOA

B. Sources of Information

The project team consulted extensively in Madagascar with representatives of the Goverment, Paraslatal Enterprises, representatives of the financial and business communities.

We should like to express our appreciation for the help we received from all those with whom we held discussions and especially Messieurs RAVELOARISON Oliver, and RANDRIAMAHAFALY Philibert of MPARA, and Messieurs RAMAMONJISOA Joseph, RAVOKATRA Elie, and RAKOTOMANANA Leon Didier of MPAEF for their continual help and courtesy. We have attempted to list below all the contacts that we made: in the event that some are not mentioned, this is due to our failure to record all our contacts for which we present our excuses.

1. GOVERNMENT OF MADAGASCAR

MPARA

M. ANDRIANOELISON, Jose	Minister
M. RAVELOARISON, Olivier	
M. RANDRIAMAHAFALY, Philibert	
M. RASOLONDRAIBE, Norbert	
M. RABENJANAHARY, Eliezer	

MPAEF

Dr. RALAMBOFIRINGA, Arsene	Secretaire General
M. RAMAMONJISOA, Joseph	
M. RAVOKATRA, Elie	
M. RAKOTOMANANA, Leon Didier	
M. RANAIOSON, Vincent	
M. ANDRIANAIVOJAONA, Charles	
M. RASOLOO, Anohiamahahy	

Direction General du Plan

M. ROBIARIVONY	Directeur General
M. RAOBELINA, Rivo	
M. RAMANANDRAIBE, Davidson	

Ministere des Finances et de l'Economic

M. RANAIVOSOLOFO Henri	Directeur des Resources Publiques
M. RASETARINERA, Rodolphe	Directeur du Tresor

Ministere du Commerce

M. RAZAKAMANANTSOA

Ministere de l'Interier

M. ANDRIANAIVOMIADANA

M. ANDRIAMANANA

Caisse de Stabilisation des Prix de la Canne et du Sucre

M. RAMANDIMBISOA, Cyprien

Caisse et Bureau de Commercialisation et de Stabilisation des Prix du Cafe, de la Vanille, et du Girofle

Plusieurs responsables.

Bureau du Commercialisation et de Stabilisation des Prix de l'Arachide et du Poivre

M. RAJAONSON

M. JAONERA

M. VELONJARA

2. FINANCIAL AND SERVICE SECTOR

Association Professionelle des Banques de Madagascar

M. RAJAONA

M. RANTOANINA, Gilbert

Banques

M. RAMASINAIVO, Jean C.	Directeur General, B.F.V.
M. JEAN-MARIE, Henri	Directeur General, B.T.M.
M. ANDRIANARIVO, Tantely	Director General, B.N.I.
M. ANDRIAMAHERY, Ralitera	B.F.V.
M. RAKOTONDRASATA, Robert	B.N.I.

Autres

M. RAKOTOVAO, Panoel	Directeur General, Ny Havana
M. RABARY, Bruno	D.G.A., A.R.O.
M. RARIVOSON, Justin	Directeur General, F.N.I.
M. RAKOTOVOLOLONA, Henri	F.N.I.
M. ANDRIAMAMONJISOA, Paul-Andre	Directeur, Caisse d'Epargne de Madagascar
M. ANDRIANANTENAINA	Directeur Financier, CNaPS

3. ENTREPRISES PARAPUBLIQUES

AFA

M. RAMANANJAONA, Ambinintsoa Honore	Directeur General
M. RAJAONERA, Dauphin	
M. RAKOTOARISON, Jean Ernest	

FAMANA

M. FINOANA, Henri	Directeur General
M. RAKOTOSON	
M. TSIMIHEKY	
M. RAHAJAHARISON, Jaspert	
M. RAZAFINDRAKOTO, Arthur	

FAMALAMANGA

M. RABETALIANA	Directeur General

F.E. OMBY

M. ANDRIATSIFERANA, Manny	Directeur General
M. RATAFIKA	

FESSA

M. RARIVO RASOLO	Directeur General

HASYMA

M. RAMENASON, Elie	Directeur General

OFMATA

M. HAMADA, Clivier	Directeur General
M. RASOLOHARISON, Leon	

SECIAM

M. RALISON, Jean	Chef du Service Administratif Responsable de l'Usine a Morondava
M. RAMALANJAONA	

SOAMA

M. RAEANAMAMONJY, Leon	Directeur General
M. TANG PO, Jose	
M. FARALAHY	

SOAVOANIO

M. ANDREAS, Claude	Directeur General
M. RASABOTSY, Narcisse	
M. TOULOUSE	
M. BARY, Rolland	
M. JILIMARO, Martial	

SOJUFA

M. RAKOTONDRAJOA, Noelsen	Directeur General
M. RANDRIAMBOSOLONA, Gabriel	
M. RALAHY, Emmanuel	
M. RANDRIAMIARINA, Hubert	
M. RAJHONSON, Lala	

SOMALAC

M. RANDRIANARISOA, Raymond	Directeur General
M. BASSOT	
M. LANDRU, Jean	
M. RAHERIVELO, Alfred	
M. RAZAFINDRAZAKA, Jacques	
M. RABARONE G.F.	
M. HAEMMERLIN, Daniel	

SOMAPALM

M. RAKOTOSOLOMALALA, Richard	Directeur General
M. ROILANA, Philippe	
Mme. RASOAMAHADIMIBY, Saliondea	
M. RAJONSON, Olivier	
Mme. RAMANANTSOA, Harivelo	
M. RANDRIAMANGATSALAMA, Maximin	
M. ALSON, Jean Parfait	

M. MOREL, Daniel

M. INDRANO, Francois de Paul

M. RASOLONJATOVO, Davidson

M. FIDY, Michel

SOPEBO

M. HONDA — Directeur General

M. RAKOTOMALALA

SOTHEMAD

M. RASELO, Sylvestre — Directeur General

M. RASANDRY, Jean Chystine

M. BRUNO

M. ROMUALD

4. OTHER

Auximad

M. RAKOTONDRAIBE, Pierre

Mme. RATSIMANDRESY, Hortense

USAID

Mr. MINTZ, Stephen

Mr. REA, Sam

Ms. REA, Julie

Mr. ROBINSON, Peter

IBRD

Mr. BRONFMAN, Jose

Mrs. KIMES, Tina

Mr. CAPOLUONGO, Silvio

Mr. TANAKA, Josue

Mr. GERVAIS, Maurice

European Community

M. CORDY, Jean — Delegate

Mr. CROSTHWAITE, John

M. Carreau

IRRI

Mr HOOPER, Jim

Mr SHAHI, BB

Caisse Centrale de Cooperation Economique

M. BAUX, Antoine

C. BIBLIOGRAPHY

1 GENERAL ECONOMY

1. Madagascar: Economic Memorandum, Public Enterprises, IMF, Draft Ali Mansoor/Rosalind. May 20, 1986

2. Madagascar: Country Economic Memorandum, World Bank March 18, 1986

3. Madagascar: Review of the Public Investment Programm, World Bank Report 5286-MAG, November 5, 1984

4. Madagascar: Recent Economic Developments, IMF, December 16, 1985

5. IMF Recent Economic Memorandum MAG February, 1987

6. Analyse du Portefeuille BNI, Exercice 1985 Rapport & Annexes, Cabinet Madeleine RAMAHOLIMIHASO, 29 mai 1986

7. Bankin'ny Indostria BNI: Audit Portefeuille au 31 décembre 1983, Rindra-Maheu Noiseux, 28 septembre 1984

8. SEDES, Plan Directeur Oléagineux, Projet de Rapport Final Première partie diagnostic, deuxième partie le plan directeur (Paris) Janvier, 1987

9. IBRD Quarterly Review of Commodity Markets, February 1987

10. USDA, World Oilseed Situation: Market Highlights, April 1987

11. USDA, World Tobacco Situation, April 1987

2 INDUSTRY

1. Madagascar: Appraisal Mission Aide-Memoires on the Banking System and Public Enterprises, World Bank Memo, December 18, 1986

2. Etude de Politique Industrielle à Madagascar Volume II, Annexes Techniques, executée pour le Ministère de l'Industrie, de l'Energie et des Mines par Serdi, mars 1986

3. Etude de Politique Industrielle à Madagascar Projet de rapport final, exectuée pour le Ministère de l'Industrie, de l'Energie et des Mines, Maxwell Stamp Associates Limited & Serdi, Février 1986

4. Pre-Diagnostics de Sociétés Para-Publiques L'Association Professionnelle des Banques de Madagascar, Avril 1986
   Synthèse: FIFABE
   SAMANGOKY
   SEVIMA
   SOMALAC
   SOMAPALM
   TOLY

5. AUGUST 86 Preliminary Findings
6. December 86 Full Report

7. Later ITPAC Reports

3 PRIVATE SECTOR

DOCUMENT

1. Madagascar: Assessment of the climate for Private Sector Development and Investment, AID No PDC-1406-28-3083-00, International Science and Technology Institute, Inc. Oct. 85 Washington

2. Creating a Better Environment for Private Enterprise in Africa, World Bank, Industrial Strategy & Policy Division, Keith Marsden with Therese Belot, May 1986

3. Implementing AID Privatization Objectives AID Policy Determination No 14 June 16, 1986

4 AGRICULTURE

DOCUMENT

1. Agriculture and Rural Development: Sector Memorandum IBRD June 83 (4209-MAG) 1986 IBRD Memorandum on same

2. Madagascar: Appraisal Mission on support to Agricultural Institutions, World Bank, Back to Office Report, John Nellis, July 17, 1985

3. Madagascar: Etude sur les Entreprises Parapubliques du Secteur Agricole, Banque Mondiale, Yellow Report No 4079 MAG, 22 mars 1983

4. Madagascar: Public Sector Enterprises in the Agricultural Sector, Sub-Sector-Review, World Bank, Yellow Report No 4079, August 16, 1982

5. Madagascar: Public Sector Enterprises in the Agricultural Sector, Sub-Sector-Review W/P No 1 Statutory and Administration Management Aspects of Parastatal Institutions, World Bank, March 1982

6. Les Pêcheries de Madagascar, Revue sectorielle et Perspectives de Développement, R Aubray, juin 1985

7. Madagascar: Proposed Credit of SDR 8.7 million for a Second Agricultural Institutions Development Project, World Bank report No P-4198-MAG, May 15 1986

8. Madagascar: Rapport Final - Analyse des Entreprises sous Tutelle Secteur Pêche Maritime/Edicion Minute, ICTAD 001/MPAEF/DP/84 Michel Boyaud Bernolles, undated

9. Madagascar: Rapport Final - Analyse des Entreprises sous Tutelle Secteur Elevage, Edition Minute, ICTAD 001/MPAEF/DP/84, Michel Boyaud Bernolles, 30 juin 1985

10. Madagascar: Cotton Development Project (CRI433/SF8-MAG) Supervision Report, World Bank, dated May 29 1986

11. Madagascar: Appraisal Mission on Support to Agricultural Institutions World Bank, Back-to-Office Report, John Nellis, 17 July 1985

12. Madagascar: Mise à jour sur les Entreprises Parapubliques du Secteur Agricole MPARA, 30 janvier 1985

13. Ministère de la Production Agricole et de la Réforme Agraire (MPARA)
- Annuaire Statistique

14. Ministère du Commerce: Guide de procédure d'importation

15. Direction Générale de la Banque des Données de l'Etat (DGBDE)
- Statistiques du commerce extérieur de Madagascar 1979 - 1985
- Situation économique au 1 janvier 1986
- Bulletin mensuel de statistique (Nos 342 - 359)

16. Plan Quinquennal 1986 - 1990

17. Journal Officiel de la République Démocratique de Madagascar

5. ENTERPRISES

DOCUMENT

1. Ferme d'Etat FAFIFAMA Questionnaire - Entreprises Parapubliques completed December 10 1986

2. Pêcherie de Nossi-Be Proposed Investment in Pêcheries de Nossi-Be, SA Madagascar, IFC May 17 1983. Project Completion Report, IFC June 6 1986. Rapport sur les Etats Financiers arrêtés au 31 Décembre 1985, RINDRA AUDIT, 4 avril 1986. Budget 1986, Pêcheries de Nossi-Be

3. FANALAMANGA, Rapports du Commissaire aux Comptes sur l'exercice clos le 30 juin 1985, Cabinet Madeleine RAMAHOLIMIHASO, 12 juin 1986

4. SOMALAC: Rapport sur la Commercialisation au Lac Alaotra, Campagne de collecte 1984 - 1985, MPARA, Rapport provisoire Octobre 1984.

5. Public Sector Enterprises in the Agricultural Sector, Sub-Sector-Review - W/P No 3 - Case Study - SODEM, World Bank, July 1982

6. SAMANGOKY: Aide-Memoire, Mission de Supervision de la Banque Mondiale, du 3 au 7 mars 1986

7. FESA: Public Sector Enterprises in the Agricultural Sector, W/P No 2 - Case Study - the Sakay State Farm, World Bank - Central Agricultural Division Eastern Africa Project, May 1982

8. Madagascar: Audit de Projets, Ministère de l'Industrie, de l'Energie et des Mines, SEMA-METRA Conseil:
- MAMISOA, Synthèse & Recommendations, undated
- Raffinerie d'Huiles Alimentaires SOMAPALM, septembre 1985

9. Madagascar: Public Enterprises, World Bank Office Memo by Richard Lacroix, 29 May 1986

10. SOAMA, Rapport Trimestriel (4 ième Trimestre 1986)
" Rapport Annuel 1986

11. S A AGRER, Mise en Valeur Agricole de la Cuvette d'Andapa Avril 1986

12. SOAMA, Projet de Collecte et de Commercialisation paddy par la SOAMA dans la Cuvette d'Andapa Mai 1986

13. Price Waterhouse et Associés Afriques, Mise en Valeur Agricole de la Cuvette d'Andapa. Etude de la Gestion et de l'Organisation de la SOAMA

14. MPARA, Plan du Dossier de Redressement de la SOAMA 1986

15. SOAMA Bilans 1984, 1985, 1986

16. SOAMA, Programme de Travail Annuel 1986

OFMATA

1. P. Fighiera, "Mission à Madagascar" (15 - 29 Octobre, 1985)

2. OFMATA, Projet de Relance de la Tabaculture Burley et Virginie, juillet 1985

3. OFMATA, Process-verbal de la réunion du Conseil d'Administration du 13/01/85

4. OFMATA, Bilans au 31 décembre 1984 et 31 décembre 1985

5. OFMATA, Budget de Trésorie Année 1987 - 1988

6. OFMATA, Budget d'Investissements Année 1987 - 1988

7. OFMATA, Etat Analytique des Prévisions des Recettes et des Dépenses Année 1987

8. OFMATA, Comptes d'Exploitation Générale et de Pertes et Profit Prévisionnels Année 1987 - 1988

9. OFMATA, Etudes de Rentabilité des Postes

10. OFMATA, Tableau Comparatif des Prévisions Budgétaires et des Réalisations Effectives Arrêtées au 31 décembre 1986

SOMAPALM

1. SOMAPALM, Dossier de Viabilisation Financière, janvier 1986

2. " , Budget 1987

3. " Financial Statement 1983/84

9. Madagascar: Public Enterprises, World Bank Office Memo by Richard Lacroix, 29 May 1986

10. SOAMA, Rapport Trimestriel (4 ième Trimestre 1986)
" Rapport Annuel 1986

11. S A AGRER, Mise en Valeur Agricole de la Cuvette d'Andapa Avril 1986

12. SOAMA, Projet de Collecte et de Commercialisation paddy par la SOAMA dans la Cuvette d'Andapa Mai 1986

13. Price Waterhouse et Associés Afriques, Mise en Valeur Agricole de la Cuvette d'Andapa. Etude de la Gestion et de l'Organisation de la SOAMA

14. MPARA, Plan du Dossier de Redressement de la SOAMA 1986

15. SOAMA Bilans 1984, 1985, 1986

16. SOAMA, Programme de Travail Annuel 1986

OFMATA

1. P. Fighiera, "Mission à Madagascar" (15 - 29 Octobre, 1985)

2. OFMATA, Projet de Relance de la Tabaculture Burley et Virginie, juillet 1985

3. OFMATA, Process-verbal de la réunion du Conseil d'Administration du 13/01/85

4. OFMATA, Bilans au 31 décembre 1984 et 31 décembre 1985

5. OFMATA, Budget de Trésorie Année 1987 - 1988

6. OFMATA, Budget d'Investissements Année 1987 - 1988

7. OFMATA, Etat Analytique des Prévisions des Recettes et des Dépenses Année 1987

8. OFMATA, Comptes d'Exploitation Générale et de Pertes et Profit Prévisionnels Année 1987 - 1988

9. OFMATA, Etudes de Rentabilité des Postes

10. OFMATA, Tableau Comparatif des Prévisions Budgétaires et des Réalisations Effectives Arrêtées au 31 décembre 1986

SOMAPALM

1. SOMAPALM, Dossier de Viabilisation Financière, janvier 1986

2. " , Budget 1987

3. " Financial Statement 1983/84

4. SOMAPALM Balance préinventaire, 1986

5. " Analyse financière (Période 1979 - 1985)

6. " Rapport du Directeur Générale 3 février 1987

SOAVOANIO

1. BMTS, Etude d'Organisation et de Gestion de la Société Sambava Voanio, Rapports Définitif de la Phase I et Phase II, Octobre 1986

2. Planco Consulting Gesellschaft MBH, Etude d'une Huilerie de Coprah Rapport Phase II, 1985/86

3. SOAVOANIO, "Rapport Provisoire d'Activités" Année 1986

4. SOAVOANIO, Bilan 1983, 1984, 1985, préliminaires 1986

5. SOAVOANIO, Note de Présentation de la Société Sambava Voanio, mars 1987

6. SOAVOANIO, Organigramme structurel, 3 avril 1986

7. SOAVOANIO, Assorted operating data

SOAMA

1. SOAMA, Bilan 1983, 1984, 1985, 1986

2. SOAMA, Programme de Travail, 1986/1987

6 OTHER

DOCUMENT

1. Public Industrial Enterprises, Determinants of Performance, World Bank, Industrial and Finance Series, Volume 17 Mahmood Ali Ayub and Sven Olaf Hagstad, July 1986

2. Performance Evaluation for Public Enterprises, Leroy P Jones, Boston University, June 1985

3. Managing State-Owned Enterprises; World Bank Staff Working Papers Number 577, Mary M Shirley, July 83

4. Divestiture of State-Owned Enterprises in LDCs, First Draft for Discussion, Elliot Berg, June 18, 1985