# GAMBIA PRODUCE MARKETING BOARD (GPMB)

## PRELIMINARY EVALUATION
## (JANUARY 20-27 1992)
## DRAFT REPORT
## FEBRUARY 19, 1992

1801 K Street N W
Washington DC 20006

Telephone 202 361 6249
Facsimile 202 467 4405

**Price Waterhouse**
International Privatization Group

February 19, 1992.

Fred Witthans
Economics Director
USAID
C/o American Embassy
PMB No 19
Banjul, The Gambia.

Dear Fred:

Re Privatization: Gambia Produce Marketing Board (GPMB)

Please find enclosed a draft copy of the PW/IPG report on the Preliminary Evaluation of GPMB.

Following from telephone conversations with you and Dick Day, Country Development Officer of USAID, issues and events subsequent to our departure include the following:

- An increase in producer price by GPMB to 1700 dalasis per mt with effect from January 31, 1992; the GCU contract price with Senegal believed to be 1750 dalasis per mt.
- The costs associated with establishing a new groundnut processing facility de novo and the possibility of the private sector setting one up.
- Concerns of The Government of The Gambia being expressed regarding the possibility of Senegalese ownership and whether it is necessary to maintain a groundnut processing facility in The Gambia to protect the farmers.

The price increase to 1700 dalasis per mt makes GPMB more competitive. This is evidently a step in the right direction as it would appear that there is a strong possibility that GCU will begin delivering groundnuts to GPMB following the difficulties the former is facing in meeting its obligations to Senegal. Coupled with deliveries from private traders it is very likely GPMB losses for the current crop year will be reduced (approximate estimations from 10m - 15m dalasis to 7m dalasis).

The costs associated with establishing a new processing facility will be evaluated by the team during the second phase. This was not possible during the preliminary visit. The evaluations will include costs associated with individual units, for example decorticating

7

and/or oil processing plant. The objective will be to assess the barriers to entry to determine whether a new plant will be profitable.

Given that the major goal of the Government of The Gambia is to safeguard the farmers' interests there is a viable argument for maintaining a groundnut processing facility in the country to serve this community. Otherwise with Senegal possessing the nearest processing capabilities, the farmers could be subject to predatory pricing. Similarly, ownership interests from Senegal will be viewed closely.

Both Ned and I enjoyed working with USAID/Banjul and we look forward to the subsequent phases.

Kind Regards

John Butt

## TABLE OF CONTENTS

## ANNEXES

**DRAFT**

## LIST OF ACRONYMS AND ABBREVIATIONS

| | | |
|---|---|---|
| 1. | AMSCO | African Management Services Company |
| 2. | BICI | Bank for Commerce and Industry |
| 3. | CBTG | Central Bank of The Gambia |
| 4. | DCF | Discounted Cash Flow |
| 5. | EEC | European Economic Community |
| 6. | ERP | Economic Recovery Program |
| 7. | FAPE | Financial and Private Enterprise |
| 8. | G-bills | Groundnut Bills |
| 9. | GATT | General Agreement on Tariffs and Trade |
| 10. | GCU | Gambia Cooperative Union |
| 11. | GOS | Government of Senegal |
| 12. | GOTG | Government of The Gambia |
| 13. | GPMB | Gambia Produce Marketing Board |
| 14. | GPMC | Gambia Produce Marketing Company |
| 15. | GRTC | Gambia River Transport Company |
| 16. | GUC | Gambia Utility Company |
| 17. | MoF | Ministry of Finance |
| 18. | MTIE | Ministry of Trade, Industry and Employment |
| 19. | NIB | National Investment Board |
| 20. | SCB | Standard and Chartered Bank |
| 21. | SONACOS | Societe Nationale de Commercialisation des Oleagineux du Senegal |

Please Note:

1. Exchange rate for Gambian Dalasi as of February 4, 1992 is US$1 = Dalasis 8.40.
2. Fiscal year of GPMB ends on November 30th.

**DRAFT**

## EXECUTIVE SUMMARY

The findings of the Price Waterhouse (PW) International Privatization Group (IPG) indicate that it is very unlikely the privatization of Gambia Produce Marketing Board (GPMB) will be achieved by July 1992, this being the time frame agreed upon by the Government of The Gambia (GOTG) and the World Bank. Given that the goal of the GOTG is to look after the interests of the farmers, additional work by the GOTG is required if GPMB is to be properly positioned for privatization as a company exclusively focused on the groundnut industry. The major issues affecting the privatization efforts are as follows:

1. <u>Failure of GPMB to compete effectively in a free market environment.</u>

   Following the liberalization of the Gambian economy and the oilseeds sector GPMB has not been effective in making the transition from a monopoly operation to one capable of competing in the free market. It is neither price nor service competitive. The current GPMB posted producer price for groundnuts of 1,500 dalasis per metric ton (mt) is at a serious disadvantage to the price offered in Senegal which is estimated to be between 2,400 and 2,600 dalasis per mt. The Senegal price advantage is composed of a number of factors including economies of scale with a crop 10 times the size of Gambia and operating efficiencies. Subsidies from the Government of the Senegal also contribute to this advantage. As a result there is considerable leakage across the border to Senegal with GPMB having difficulty meeting its purchasing requirements.

   The segmented structure of the industry with the Gambia Cooperative Union (GCU) occupying a dominant position as intermediary between GPMB and the farmer, means that GPMB is unable to operate as a fully integrated company. It lacks access to the farmers and does not have control over its supplies. GCU is now in control of the groundnut sub-sector at the village level in the Gambia and this has arisen from three factors: 1) established relationship with the farmer as the principal supplier of inputs; 2) an established road transportation capability; and 3) favorable export prices to Senegal. With GPMB lacking these capabilities, it has been unable to attract groundnuts at its current posted price.

   GCU has successfully adapted its operation to the liberalized market conditions. It is currently the dominant force in the groundnut industry in the Gambia and has entered into a contractual agreement to export un-decorticated groundnuts to Senegal at prices above those posted by GPMB. GCU has arranged financing commitments from Standard Chartered Bank (SCB) to support this commercial transaction.

   Thus the basic role of GPMB as a going concern for the processing and marketing of groundnuts and other oilseed products is in serious jeopardy. Failure to procure groundnuts from producers or middlemen for the current 1991/92 crop raises the question whether GPMB will operate its processing units at Kaur and Denton Bridge. Failure to operate will impact the value of GPMB.

**DRAFT**

2. Financial Position of GPMB and State of its Assets

The financial records of GPMB, although fairly current, are open to some doubt. The existence of 67 million dalasis (approximately $7m) of long term debt and 37.8 million dalasis ($4.5m) of non-core assets pose a constraint to the privatization of GPMB. The fixed assets are obsolete and well past their useful life. They were recently revalued based on replacement cost which has resulted in an overstatement of the book value of the company. In addition, significant trading losses brought about by operating inefficiencies and a softening of world market prices for groundnut products will seriously affect the value of GPMB. It is essential that these issues are resolved prior to privatization. To this extent the NIB and GPMB management have identified and taken action to dispose of those assets which are not related to the basic business of the enterprise.

March 31, 1992 has been established as the deadline for this to be accomplished. This date will concur with the issuance of the Report of Accounts for the Fiscal Year ended November 30, 1991, with instructions to the external auditors to include a Subsequent Event footnote in their report detailing the disposition of non-core assets. The report will also include a pro forma Balance Sheet reflecting the effect on the assets and liabilities of GPMB.

Similarly, the long-term debt consists of donor loans to the GOTG which have been lent to GPMB. Servicing of the debt has so far been carried out by the GOTG as part of its budgetary program and to the best of our knowledge there is no subsidiary loan agreement between GPMB and the GOTG. Depending on the method of sale, the debt will affect the privatization process.

Working capital for crop purchasing is provided by the central bank through the Groundnut Bill (G-bill) mechanism. This is an efficient scheme whereby short-term securities are issues to the main commercial banks collateralized by the groundnut crop. It has been indicated that the mechanism will continue after GPMB has been privatized.

Once the issues above have been addressed, the valuation of GPMB under different scenarios and methodologies will begin in order to arrive at a reasonable range of base line values of the core assets. Assuming the GOTG is in agreement with the range of values, potential bidders will be identified and a prospectus prepared. PW/IPG will assist in solicitation and negotiation process with prospective buyers as well as the close of the sale.

It is expected that the valuation report and limited business review will include:

1) a going concern basis - discounted cash flow based on various assumptions
2) asset value of core assets divested as a complete unit
3) asset value of core assets divested in segments
4) liquidation value of core assets

Identification and preparation of a list of potential bidders on a non-exclusive and non discriminatory basis will be compiled. Subsequent work effort for the preparation of a prospectus or offering memorandum will be undertaken.

It is possible that GPMB can be prepared for sale by July 1992, if the elimination of the non-core assets occurs within the time frame established by NIB and if efforts are made to complete the valuation, prospectus and identification of potential bidders on a timely basis.

For the July 1992 target to be achieved, field work on the valuation and business appraisal must commence no later than April 30, 1992.

The tasks mentioned above will be carried out taking into account the issue of whether it is essential to have a processing facility in The Gambia. A strong argument exists for maintaining a viable processing facility in The Gambia if the farming community is to obtain any significant long term benefits. Otherwise, with Senegal possessing the only alternative large scale processing capabilities, the farmers would be open to exploitation through predatory pricing. This will inevitably affect the ownership criteria to the extent that potential owners perceived as not suitable to the long term interest of the oilseed industry in The Gambia are likely to be ruled out.

**DRAFT**

# I. INTRODUCTION

As part of the USAID non-project assistance under the Financial and Private Enterprise (FAPE) Program in the Gambia, full privatization of the Gambia Produce and Marketing Board (GPMB) by July 1992 features prominently as one of the key outputs in the liberalization of the oilseeds industry. Privatization of GPMB is being undertaken primarily to increase competition for agricultural produce and to create other conditions that will enable rural farmers to secure a more equitable share of the value of their produce under market-determined conditions.

This report documents the findings of the International Privatization Group (IPG) of Price Waterhouse (PW) and recommends an action plan required to achieve full privatization of GPMB. It is a preliminary evaluation of the enterprise and the environment for privatization and is based on the findings of the team during its recent seven day reconnaissance mission at the request of USAID/Banjul. Numerous studies on the privatization of GPMB have been commissioned by USAID in recent years and this report is not meant to serve as an update on these studies. Rather it serves to highlight critical issues which need to be addressed with regards to GPMB privatization within the USAID/Banjul framework.

## A. Objective and Scope of Work

The specific objective of the team's mission was to carry out a preliminary evaluation of GPMB and its business environment with the aim of assessing whether the findings support immediate privatization and/or prior restructuring. From the findings, a viable action plan to complete privatization would be developed.

Briefly the scope of work is described as follows:

- Review project documents including external audit reports and policy statements regarding efforts to date in support of the GPMB privatization and full liberalization of the oilseeds industry in the Gambia; identify concerns and objectives of the Government of the Gambia (GOTG) in respect thereof.

- Obtain an overview of the progress made to date in preparation of GPMB for privatization, including issues and constraints affecting timely implementation of a privatization program, and review GPMB's current financial and operational position.

- Develop an understanding of the issues required to maintain competitive conditions in the oilseeds industry following privatization.

- Determine the groundnut traders' (as represented by the Gambia Cooperative Union and other private sector traders) short- and medium-term trading plans.

- Analyze the legal/regulatory framework and obstacles likely to impact full privatization of GPMB.

- From the findings above, develop a follow-on action plan including valuation of GPMB assets, the preparation of a prospectus and necessary procedures to identify and ensure transfer of ownership to willing buyers.

- Identify different privatization options, structuring terms and conditions for sale to ensure adequate competition in the oilseeds sector.

- Prepare a report summarizing the teams' findings, conclusions and recommendations.

## B. Methodology

The tasks were carried out through meetings with the Minister for Finance, Minister of Trade, Industry and Employment, the Managing Director of The National Investment Board, the General Manager of the Central Bank of Gambia, USAID mission staff, senior management of GPMB and representatives of the private sector including the Gambia Cooperative Union (GCU). The evaluation was also based on an assessment of the business environment, product mix, financial and operational condition of GPMB.

Below we indicate our findings, conclusions and recommendations:

Section II provides an overview of the policies and objectives of the GOTG.
Section III discusses the key government organizations and their respective roles in the privatization of GPMB.
Section IV discusses the role of GPMB in the economy of The Gambia.
Section V discusses the constraints affecting the privatization of GPMB.
Section VI states the team's conclusions and the recommendations.
Finally, Section VII outlines a proposed action plan.

**DRAFT**

# II. THE GOVERNMENT OF THE GAMBIA (GOTG) - POLICY AND OBJECTIVES

## A. Liberalization

In 1985 the GOTG instituted an Economic Recovery Program (ERP) to liberalize the economic and financial sectors in order to create an environment conducive to private sector investment. This was an effort designed to demonstrate a government commitment to reform (so as to qualify for continued donor assistance). The ERP successfully arrested a decade of severe economic decline. It ended in June 1990 and was followed by a medium-term Program for Sustained Development which was designed to make the transition to a broad-based sustainable growth economy based on private enterprise. The policy of liberalization is continuing although further increases in private investment from foreign and domestic sources will be required to achieve the GOTG economic growth objectives and improve the standard of living for the average Gambian. However, the basic macroeconomic conditions have been created to support private sector development targeted at increasing private investment.

With respect to the oilseeds sector and GPMB specifically, significant progress has been made in recent years to liberalize trade through the elimination of exclusive marketing arrangements on exports held by GPMB. Although GPMB continues to dominate this sector, the government announced its decision to deregulate domestic purchasing and marketing of groundnuts to allow for full private sector participation. This policy reform was followed by legislative action designed to eliminate GPMB's exclusive monopoly rights over exports of groundnut products from the Gambia, thereby permitting the private sector to compete openly with GPMB. However, GPMB's ownership and control of the only commercially operating processing facilities precluded the private sector from making a significant impact on the export market of processed groundnuts in-spite of arrangements designed to allow the facilities to be used on a toll basis.

## B. Privatization

Privatization of key parastatals ranks prominently as one of the key elements of the GOTG under the ERP. Although considerable progress has been made in recent years in reducing the government's role in the public sector, certain key industries remain under public ownership and constitute an impediment to private investment and economic growth. GPMB ranks highly among the few remaining parastatals to be privatized in order to fully open the production and marketing of the oilseeds sector to competitive forces. Its privatization is expected to result in efficiency gains and higher returns to the farmer.

## C. National Investment Code

Few restrictions remain limiting foreign direct investment in the Gambian economy. Under the Companies Act of 1955, local participation is not a requirement for incorporating or operating a business in the Gambia. With the exception of the tourist, fishing and banking industries, prior approval of relevant ministries is not required before proceeding with registration of companies in the Gambia. Some local authorities may require a company to pay for operating licenses in their respective areas.

Incentives in the form of tax credits allowing total or partial exemption of custom duties on items such as capital equipment, semi-finished products, total or partial exemption from company tax or turnover tax are in place.

## D. Farm Policy

The GOTG agricultural policy is focused exclusively on enhancing the returns to the farmer. To this extent, the opening up of the oilseeds industry is intended to enable the farmer to obtain the best price for his product from a willing buyer, domestic or overseas. In the past GPMB had enjoyed the monopoly position as the only purchaser of groundnuts, with the Gambia Cooperative Union (GCU) the intermediary between the farmers and GPMB. With liberalization there is no obligation for the GCU to sell to GPMB. GCU has in fact entered into a contractual agreement to supply Senegal with 20,000 metric tons of groundnuts this year to the detriment of GPMB.

Below we provide a summary of the principal government organizations and highlight their respective roles and influence on the privatization of GPMB.

## III. KEY ORGANIZATIONS AND ROLE IN PRIVATIZATION OF GPMB.

### A. Ministry of Trade, Industry and Employment (MTIE)

The MTIE is the ministry under which GPMB falls. From meetings with Minister Jatta, it was indicated that the government is committed to the privatization of GPMB in spite of the difficulties the company is facing in attracting willing groundnut sellers. The ultimate aim is to safeguard the interest of the farming community regardless of what happens to GPMB. The MTIE is likely to play an influential role in deciding the outcome of GPMB.

### B. Ministry of Finance (MoF)

The MoF has so far been responsible for servicing GPMB's long-term debt as part of the government's external debt service program. These are loans from multilateral agencies in excess of 67 million dalasis (approximately $8m at the current exchange rate of 8.4 dalasis to the dollar) to the GOTG which have been lent to GPMB. To the best of our knowledge, there is no subsidiary loan agreement between the government and GPMB. At a meeting with the Minister for Finance, we were informed that the government was unlikely to forgive the debt. In the opinion of the MoF, the best option may be debt forgiveness on the part of the donor agencies.

Given the central role of the MoF regarding GPMB's long term liabilities and the impact of the debt on the company's value, it is likely to feature prominently in future negotiations.

### C. National Investment Board (NIB)

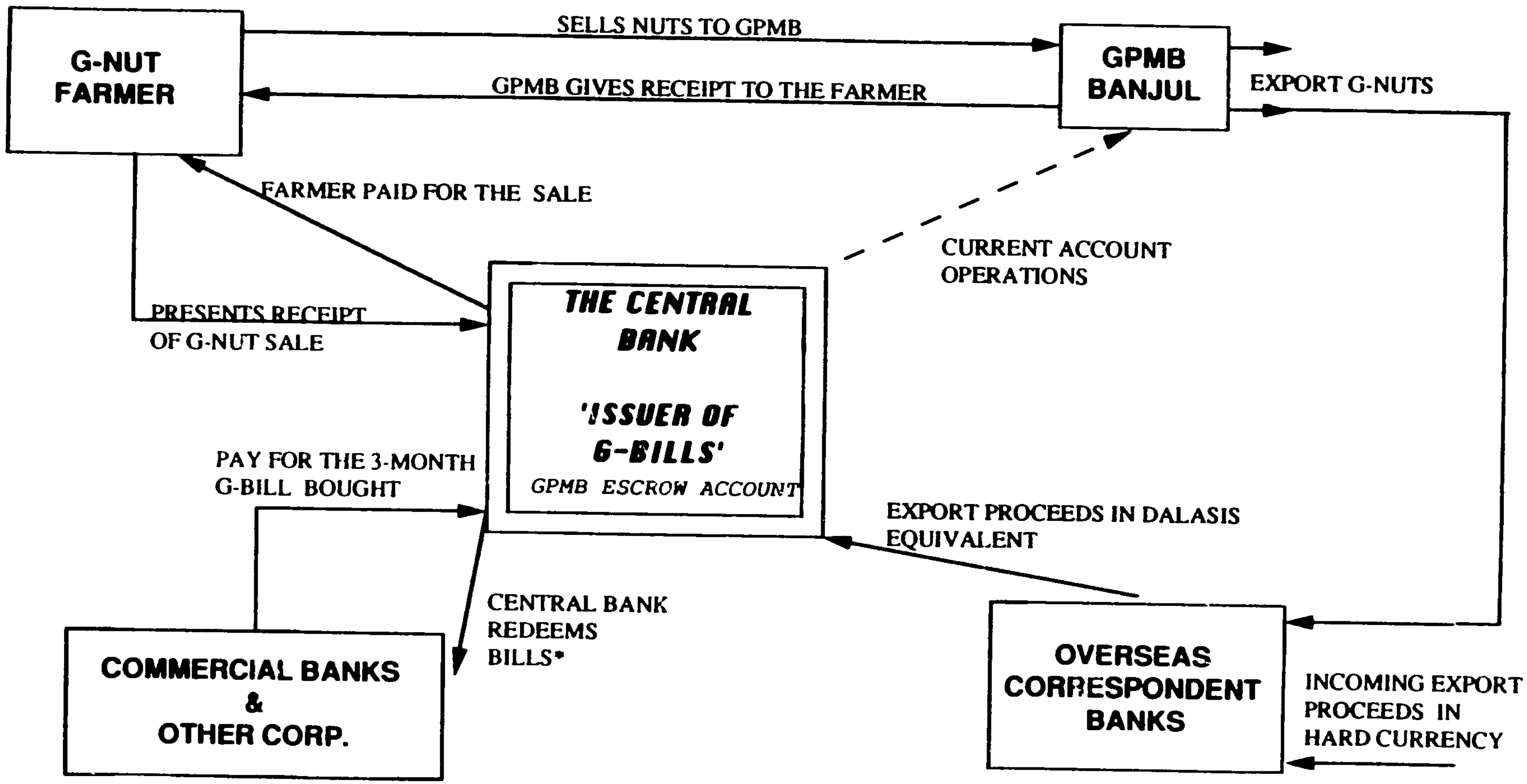
The NIB is the government's principal privatization oversight body with responsibility for overseeing the transfer of public sector firms to the private sector. The NIB's main concern regarding GPMB is to ensure that assets of the enterprise to be privatized consist of those directly connected to the oilseeds processing and marketing. To this extent, the NIB has identified for divestment all "non-core" assets on GPMB's balance sheet. These include property in London, a cotton ginnery and hotels (see Fixed Assets schedule).

### D. The Central Bank of The Gambia

The role of the central bank is critical in meeting GPMB's working capital needs for crop purchases. This role is facilitated through the Groundnut Bill (G-bills) mechanism (IMF initiated) whereby the central bank raises funds through issuing bills of three- month maturity. The farmer (producer) receives payment upon presentation of sale receipts to the central bank.

## GAMBIA PRODUCE MARKETING BOARD (GPMB)

GROUNDNUT (G-NUT)- BILLS FUNDS FLOW




KEY:

* AT THE END OF 3 MONTHS MATURITY, G-BILLS ARE REDEEMED AT FACE VALUE FROM EXPORT PROCEEDS

— — —► DENOTES PROPOSED WORKING CAPITAL SOURCE FOR 1991-92 CROP SEASON

The bills are redeemed through GPMB export proceeds which flow directly to GPMB's current account with the central bank through an overseas correspondent bank. The bills are issued at a discount (usually 5%) with a 0.5% commission levied and redeemed at face value. Effective borrowing cost is approximately 25% (compared with commercial banks which are in the 23%-25% region). Purchasers are the main commercial banks - Standard Chartered Bank and International Bank for Commerce and Industry (BICI) - and a few corporations. The bills are issued on a tender basis and have so far been oversubscribed.

According to the central bank officials, the G-bill mechanism will continue operating even after privatization of GPMB has been achieved. This system has been beneficial in smoothing out GPMB's working capital needs and can continue to do so once privatized.

The central bank does not expect GPMB's long-term debt to present a constraint as a condition for sale and was confident that some accommodation will be reached. In view of its position vis a vis the G-bill mechanism and the mortgage on GPMB headquarters, the central bank is expected to play a key role in the GPMB privatization.

## E. The Privatization Task Force

This is a government appointed body comprised of the Permanent Secretaries of the above key ministries as well as the senior management of GPMB. Its main function is to identify and address critical issues to facilitate the privatization process. It is specific to GPMB and reports directly to the cabinet. Currently, there is some overlap of duties with the NIB as part of its functions includes divesting the non-core business units.

## F. Gambia Cooperative Union (GCU)

GCU, formerly a GOTG organization until privatized in 1989, provides primary support to the farmer. GCU provides the farmer with seed, fertilizer, credit and other inputs. GCU is the primary buyer of groundnuts in the country. Prior to liberalization GCU procured groundnuts from farmers and sold to GPMB under the monopoly conditions that existed.

GCU, originally established in 1956, is comprised of 58 cooperatives societies reported to represent 400,000 farmers through-out the country. A seven member board, elected by the member cooperatives, govern the GCU. All shares held by the GOTG have been liquidated and the GCU is considered a private entity.

With its existing fleet of lorries it has the capability of procuring groundnuts in the villages and delivering to any location for sale. Currently GCU is only active in the groundnut sub-sector.

GCU is benefiting from liberalization. Freed from the monopolistic constraints of GPMB, GCU epitomizes the success of liberalization, establishing new sources of credit, developing export markets, bidding up prices paid to producers and effectively dominating the groundnut market. It has established a line of credit, without GOTG guarantee, with Standard Chartered Bank for the purchase of groundnuts from producers for export sale directly to SONACOS in Senegal.

This is in direct contrast with GPMB which has so far failed to make the transition from a monopolistic organization to one capable of competing in the private sector. Below we review the historic, current, operational and financial role of GPMB in the economy of The Gambia.



18

# IV. ROLE OF GPMB IN THE ECONOMY OF THE GAMBIA

## A. Historic

Groundnuts are the main crop of The Gambia. Various studies reviewed during our reconnaissance mission to Banjul report that groundnuts have traditionally accounted for 80% to 95% of foreign exchange earnings. With tourism, seafood exports and entrepot trade, the actual figure may be less than that reported. In the 1990/91 crop season over 92,000 hectares of groundnuts were planted representing over 50% of total reported agricultural plantings. Suffice it to say groundnuts have been and continue to be a significant factor in the economy in terms of employment and foreign exchange earnings of The Gambia.

GPMB, as it now exists, was established under The 1973 GPMB Act in March 1973. GPMB traces its origins back to The Gambia Oilseeds Marketing Board, established in 1948 under Gambia Act #29, to carry on the responsibilities and functions of the system created by the British Ministry of Food during WWII. The 1973 Act authorized GPMB "to provide for the regulation and control of the marketing and export from and the import into The Gambia of produce and for matters connected therewith and incidental thereto. With this broad mandate GPMB, as a parastatal, has functioned not only within the agricultural sector but expanded into general commercial activity.

In the agricultural sector, GPMB has also been active in cotton and rice. Outside of its agricultural role, investments have been made in a range of activities from the manufacture of soap and lime to investments in hotels and commercial banking.

Under its original structure GPMB was the sole purchaser and exporter of agricultural production. GPMB had control over the production by peasant farmers, established producer prices, and was the sole purchaser and exporter of agricultural products. Acquisition of processing units from private operators in 1972 allowed GPMB to enter into the processing of groundnuts. This included decorticating and oil pressing facilities. Until liberalization GPMB had always enjoyed a monopoly position.

Reports prepared in the mid 1980s, particularly a May 1985 report entitled An Economic and Operations Analysis of The Gambia Produce Marketing Board, indicate that GPMB had profitable operations until 1979. Losses have been recorded since then. Losses were incurred to support GOTG dictated price subsidies to agricultural producers, the sale price of groundnut cooking oil to domestic consumers and declining world commodity prices.

Subsidies were also provided on investments in commercial and non-commercial enterprises unrelated to the groundnut sub sector. These deficits have been supported by subsidies, Special Grants and other transfers from the GOTG.

## B. Current Role of GPMB

In the mid 1980s, with assistance from the IMF and World Bank, liberalization and privatization policies were adopted and implemented by the GOTG. These policies have continued to receive active support from the donor community. In 1987 the GOTG and GPMB entered into a three year performance contract to prepare GPMB for privatization. A range of objectives were established, both quantitative and qualitative. Among the agreed objectives were the disposal of operations not directly relevant to groundnut activities, i.e. rice mill, cotton gin, and investments in various parastatals and corporations. GPMB has had limited success in achieving these goals.

Outside technical advisors, Cargill Technical Services of the UK, were introduced to GPMB under donor funding in 1990. The Cargill team, operating and reporting to the Chief Executive of NIB, reported an alleged fraud in GPMB operations totalling 20 million dalasis (approximately $2.4 million). Corrective action was taken by the GOTG and GPMB management was suspended. Subsequently, with funding assistance from the World Bank and Swiss Stabex, the GOTG entered into a contract with the African Management Services Company (AMSCO) to manage GPMB during the 1991/92 crop. Among the objectives of the management contract, AMSCO is to prepare GPMB for privatization by July 1992. This date for privatization was agreed with the World Bank by the GOTG in April 1990.

GPMB is now under the direction of the AMSCO appointed Managing Director. AMSCO has engaged Cargill as a sub-contractor under the AMSCO contract. The Operations Director and management of the processing facility at Kaur are staffed by Cargill personnel. AMSCO's management contract expires in July 1992 concurrent with the target date of GPMB's privatization.

GPMB's Board of Directors are appointed by GOTG. The Minister of Trade Industry and Employment is the lead Ministry in the GOTG oversight of GPMB operations. The NIB role is quite significant in the operation of GPMB and efforts to divest various non groundnut related operations.

## C. Operations

The GPMB operations consist of core and non-core business units. Together these amount to 215 million dalasis ($25.6m), core being 82% of the total at 177 million dalasis ($21m) and non-core 37.8 million dalasis ($4.5m). The core business units consist of those assets directly related to groundnut processing and the non-core to un-related units with little added value. These are described in more detail below.

*PRICE WATERHOUSE-OFFICE OF GOVRNMENT SERVICES*
*GAMBIA PRODUCE MARKETING BOARD (GPMB)*

FIXED ASSETS AND INVESTMENT SCHEDULE AS ON JANUARY 1, 1992
AMOUNTS IN ('000)

| CORE ASSETS | AMOUNT | | NON CORE ASSETS | AMOUNT | |
|---|---|---|---|---|---|
| | DALASI | US DOLLAR | | DALASI | US DOLLAR |
| DEPOTS | 63,577 | $7,569 | WAREHOUSES | 7,975 | $949 |
| TRANSITS | 13,471 | $1,604 | RICE MILLS | 2,075 | $247 |
| DECORT PLANTS | 13,541 | $1,612 | COTTON GINNERY | 17,275 | $2,057 |
| OIL MILLS | 77,144 | $9,184 | HEAD OFFICE | 6,341 | $755 |
| STORES | 5,204 | $620 | BRIQUETTE | 2,100 | $250 |
| OTHER | 4336 | $516 | BARRA HOTEL | 2,000 | $238 |
| TOTAL | 177,273 | $21,104 | | | |
| TOTAL (CORE + NON-CORE) | $215,039 | $25,600 | | | |
| **INVESTMENTS:** | | | | | |
| A. COMPANY INVESTMENT | | | | | |
| 1. Gambia Commercial & Dev. bank | 3,060 | $364 | | | |
| 2. Citroproducts | 676 | $80 | | | |
| B. SUBSIDIARY INVESTMENT | | | | | |
| 1. Gambia River Transport Co. (GRT | 630 | $75 | | | |
| 2. GPMC (London) | N/A | N/A | | | |
| TOTAL | 4,366 | $520 | | 37,766 | $4,496 |

ASSUMPTIONS:

1. Amounts stated at cost values
2. GPMC liquidated end of 1989 & GPMC property in London: Value not known
3. Other Core Assets include QC, Costruction, Transportation & Engineering
4. Cotton Ginnery not stated in AMSCO Business Plan
5. Exchange rate as on Jan 1, 1992 used: $1 = D8.40
6. GRTC under voluntary liquidation

### 1. Core Assets

Groundnut operations of GPMB include a series of seven depots located on the Gambia River throughout the country, two decorticating facilities, one oil processing facility, three stores, two transits and miscellaneous assets comprising of construction and transportation facilities (see Annex A Table 1 for a listing).

At Kaur, 200 kilometers up river from Banjul and accessible by ocean going vessel (up to 12,000 mt), a decorticating plant with a designed daily capacity of 600 mt of ground nuts is operated. In the 1990/91 crop, 7,700 mt tons of ground nuts or 30 % of GPMBs throughput were decorticated at Kaur.

A decorticating plant with a capacity of 450 mt of groundnuts per day is operated at Denton Bridge, near Banjul. Within the battery limits of the Denton Bridge complex is a an oil mill operation with a reported daily capacity of 210 mt. This plant was acquired by GPMB about 1973. The oil mill processing unit is in a very run down condition. In conjunction with the oil processing plant, a 10,000 liter batch refinery is operated.

Power generation and steam requirements for the Denton Bridge complex, including the decorticating plant, oil mill and refinery are provided by co-generation utilizing waste hulls as a fuel stock for high pressure boilers and a 1.5 MW turbine. Notwithstanding the excess waste hulls available, no power is produced for sale to the GUC grid. The co-generation unit was installed in 1988 and appears to be the most valuable asset at Denton Bridge. The possibility of selling energy from this unit to other enterprises has been mentioned by a local businessman who has expressed interest in the unit.

An export terminal to handle groundnut oil exports is located in the port area of Banjul.

The GRTC river equipment comes under the control of GPMB. This is an antiquated collection of tugs and barges. This system provides the basic transport of groundnuts from depot to processing locations.

Historically groundnuts have been procured from farmers by the GCU which was obligated to deliver and sell groundnuts to GPMB. Under liberalization, the GPMB monopoly to acquire and export all groundnut produced in the country was abolished. With the 1991/92 crop GPMB now must compete for the procurement of groundnuts. GCU is not obligated to sell and deliver groundnut to GPMB, but can now sell to any willing buyer at a negotiated price. Conversely, direct procurement of groundnuts from producers to groups other than GCU, such as license buying agents, and private individuals or GPMB, is now authorized.

With liberalization, GPMB has posted a toll charge so groundnuts can be processed by GPMB for other owners. It is reported that one private group intends to have GPMB process 8,000

MT during the 1991/92 crop. This will be the first operation by GPMB in providing this service to outside interests.

GPMB operates a wholly owned subsidiary, GPMC, in London. This was established many years ago to provide a marketing office for GPMB export products. Recently the office property has been sold. The marketing office now operates in a GPMC owned residence near London. It is reported that this property is in the process of sale.

### 2. Non-Core Assets

Other assets reported on the GPMB balance sheet not related to groundnut operations appear to have been identified for sale. These include: two rice mills, a cotton gin, one hotel, one briquette factory, several warehouses and the GPMB headquarter buildings (see Annex A Table 1 for a listing).

## D. Financial Review

The financial statements of GPMB are current although their accuracy is open to some doubt. The NIB has committed to deliver year-end statements for fiscal year 1991 by March 31, 1992.

The critical financial issues are the fixed assets and long term debt. The total value of fixed assets to date is in excess of 215 million dalasis ($25.6 million) and consist of buildings and plant and machinery, some of which are directly related to oilseed processing (core) and others not (non-core). Of the total fixed assets, 177 million dalasis ($21 million) is attributed to core assets and 37.7 million dalasis ($4.5 million) to non-core assets. The fixed assets are obsolete, but have recently been revalued based on replacement cost. As a result, the balance sheet (Annex, Table 3) is grossly overstated with GPMB showing a net worth of 173 million dalasis (approximately $20 million) - see Annex A. It is likely that without the fixed asset revaluation GPMB would be showing a substantial negative net worth.

Profitability figures (in million of dalasis) as given in reports for 1986-1990 are as follows:

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Sales | 91.5 | 97.3 | 88.6 | 58.1 | 125.1 |
| Operating Profit/(loss) | (37.9) | (85.2) | 22.1 | 9.1 | (4.2) |
| **Govt Grant** | **0** | **62.3** | **0** | **55.5** | **0** |
| Posted net Profit/(loss) | (3.2) | **20.6** | (5.9) | **41.4** | (4.5) |

From the above it can be seen that at the operating level GPMB performance is below par. The figures posted as net profit for 1987 and 1989 include a Special Government Grant of 62.3 million dalasis and 55.5 million dalasis respectively to make up the shortfall (Annex A, Table 2). Subsidies were eliminated in the 1990-91 season. It was difficult to clarify the reasons for the poor operating results given the scarcity of information in the financial statements.

Long term debt (Annex A, Table 4) is in excess of 67 million dalasis (approximately $8 million) consisting mostly of loans to the GOTG from donors which have been on-lent to GPMB. As stated above the loans are currently serviced by the government as part of its external debt servicing program. The GOTG is ultimately responsible for the loan in the absence of a subsidiary loan agreement between GOTG and GPMB. Indications from the World Bank are that the government would have to assume the debt prior to privatization.

GPMB currently has 5.4 million dalasis overdue from the last crop which the central bank has rolled over. To date, 17 million dalasis have been issued for the 1991-92 crop. The central bank has agreed to offset the overdue bills of the last crop from this issue leaving a net amount of approximately 11.6 million dalasis. It is thought that this amount will be replenished by the sale proceeds of the Kannifing facilities (yet to be received at the time of departure).

It is worth noting that G-bills only meet GPMB's crop purchasing requirements and does not cover additional operating costs such as processing and transportation. To meet current shortfalls a portion of G-bills proceeds are to be disbursed to meet on-going operating costs. It is expected that GPMB will mortgage its headquarter buildings to the central bank to provide collateral against an advance on a portion of these funds. These events place GPMB in a precarious position. In the event that GPMB is able to agree on price and purchases a portion of the 1991-92 crop it will not have sufficient funds to fulfill its purchasing commitments. Similarly, in the event that price is not agreed upon and no purchases are made from the current crop, the GPMB will not have any proceeds for redemption of G-bills.

Inventory consists entirely of spare parts which are not sources of cash. In addition, most of the inventory is obsolete.

Investments (Annex A, Table 5) total 4.4 million dalasis ($520,00) and consist predominantly of advances to subsidiaries, investments in core activities (3.8 million dalasis - $ 460,000) and non-core (630,000 dalasis - $75,000) and business-related subsidiaries. The London entity is carried as an investment. Most of the companies involved are under liquidation or non-performing.

A sensitivity analyses was carried out to assess the effect on profits of varying the tonnage and producer price of groundnuts (Annex A, Table 6). The results suggest the following:

- If GPMB does not operate this year it stands to lose a minimum of 15.3 million dalasis ($1.8m), this being fixed costs of 8.6 million dalasis ($1m) and interest expense of 6.7 million dalasis ($0.8m).

- If GPMB were to receive a throughput of 10,000 - 15,000 tons of groundnuts instead of its projected 35,000, the expected loss would range between 4.8 million and 6.0 million dalasis ($570,000 - $700,000) assuming producer price remains at 1500 dalasis per mt.

- At a producer price of 1950 per mt (the 1989-90 price) the loss would range between 10.5 and 11.5 million dalasis ($1.25m - $1.37m), assuming a similar throughput.

The sensitivity analysis is not precise but is used to illustrate the devastating loss that will occur if GPMB does not operate.



25

# V. CONSTRAINTS AFFECTING PRIVATIZATION OF GAMBIA PRODUCE MARKETING BOARD

As a monopoly GPMB was the only buyer, processor and marketer of groundnuts. With liberalization GPMB has a number of constraints that have impacted their operation. In this section we will identify these constraints and comment on their effect on GPMB.

## A. Industry Structure

The Gambia groundnut sub-sector has always operated in a non-competitive monopoly environment. Without an established vertically integrated agribusiness GPMB has not been able to adjust to operating under the conditions that liberalization has successfully introduced. The result is that it is unable to compete in providing an extension service to the producers.

### 1. Farmer

Groundnut production in The Gambia is carried on at the village level. Farmers receive inputs of seed, fertilizer and credit from GCU and other middlemen who provide an extension service. GPMB does not provide this service. There is no support for the farmers in the critical areas of technical assistance to improve seed quality, variety improvements and research to increase yields, quality product and agricultural efficiency.

### 2. Middlemen

Historically GCU is the principal purchaser of groundnuts. With liberalization anyone can purchase groundnuts from the farmer. However as the provider of seed, fertilizer and credit GCU has a preeminent position to dominate the procurement of groundnuts. Farmers are reluctant to sell to others since they are usually indebted to GCU for inputs consumed in the current crop and dependent to GCU for seed for the succeeding crop. Consequently, direct sales to GPMB have been minimal.

### 3. Transportation

The middlemen have a fleet of lorries that transport the groundnuts from the village to the depot or other location. GPMB currently lacks the capability to provide these services and as a result is not receiving any groundnuts from the farmers and previous attempts to purchase directly from the farmer have proven to be futile. Farmers do not have their own transportation nor does GPMB have sufficient lorries to penetrate at the village level to obtain raw material. Historically river transport has carried the groundnuts from depots to processing facilities. Tugs and lighters used by GPMB are well past their useful life and are not reliable. They are currently undergoing rehabilitation for future use.

### 4. Processing

GPMB decorticating plants at Kaur and Denton Bridge are adequate. The crude oil and cake plant is based on obsolete technology. The facility for refining crude oil is a batch plant which means that the minimum throughput level has to be reached before operation begins. The quality of crude and refined oil is average and does not command any premium.

### 5. Marketing

Gambia's production of groundnuts is not a significant factor relative to the world market. GPMB's product mix is limited and current indications are that its markets need to be reassessed. The market for Fair Average Quality (FAQ) groundnuts is currently concentrated on three buyers all located in Europe. The product mix is limited by the operating inefficiencies and traditionally high production cost. Also GPMB lacks an effective marketing department domestically and abroad. The current market for most products except oil is Europe where GPMB is effectively a price-taker. However, it is likely that opportunities exist for GPMB products (cake for animal feed, decorticated nuts) in the regional market and the European market penetrated with value-added products such as confectionery nuts. Diversification of products and markets will most likely lead to better opportunities.

## B. Prices

Liberalization has removed all restrictions on sale of groundnuts.

Prices paid to farmers are now established by the market mechanism. GPMB is not price competitive. Its posted producer price of 1,500 dalasis per mt is below that being offered by GCU. GPMB has failed to attract raw material at their current posted price. From information provided by GPMB they have only been able to secure delivery of 1,000 mt of groundnuts in the 1991/92 crop which is 10% of the amount procured at the same time during the previous crop.

Prices paid to in Senegalese farmers for groundnuts are reported to be equivalent to 2400/2600 dalasis per mt. This includes subsidies from the GOS. It is thought that Gambia groundnuts delivered to Senegal are estimated to be worth 1,600 to 1,900 dalasis per mt. Compounding the effect of uncompetitive producer prices is a softening of world market prices for groundnut products in recent years.

## C. Operation

GPMB operates an integrated decorticating and oil processing plant at Denton Bridge near Banjul. Raw material is received by barge and truck. Decorticating lines hulling the groundnuts are sufficient, but delays are caused by operational difficulties encountered in the oil mill. Power



21

and steam are generated using waste hulls. While this is an efficient method of waste disposal, operational difficulties arise due to the inefficient layout of the plant complex with the major road artery to Banjul separating the decorticating and power generation units from the oil mill and refinery.

Products produced at Denton Bridge must be transported to storage facilities in the harbor area prior to export. The depots and the Kaur decorticating plant depend on generator sets for power. In addition waste hulls from Kaur and Denton Bridge have to be transported to disposal sites. The cost of fuel, transport and storage contribute to additional expense.

**D. Financial**

Prior to the USAID conditionality of privatization in order to qualify for the receipt of further donor assistance, there was little momentum within the GOTG to see GPMB privatized. This could still pose a problem unless the GOTG shows flexibility towards certain financial issues.

Continuing operating losses and alleged fraud have required GOTG to inject funds - designated as Special Grants - to GPMB. Continuation of these Special Grants has ceased and GPMB is dependent on their operations to generate funds to sustain the enterprise.

The Balance Sheet of GPMB comprises of up to 37.8 million dalasis ($4.5m) of non-core assets not related to groundnut activity. GPMB cannot be sold until these assets are removed from the financial statements of GPMB.

The Balance Sheet of GPMB reports substantial long term debt owed to the GOTG. Current indications are that there are no subsidiary loan agreements between GOTG and GPMB covering the re-lending of these funds from multinational agencies. Financial statements report these debts to be 67 million dalasis ($8m). The GOTG has been servicing the debt as part of its external debt servicing program and conflicting information has been received regarding whether GPMB is liable for any unpaid interest.

The Balance Sheet of GPMB reports short-term borrowing from the Central Bank of Gambia to cover purchases of groundnuts under the Groundnut Bill (G-bill) mechanism. Included in this amount is carry over of 5.4 million dalasis from the 1990/91 crop that has been refinanced from proceeds of the recent G-bill issue for the 1991/92 crop. We are advised that GPMB is requesting short-term funding from the G-bill escrow account for working capital to meet its current cash flow requirements. GPMB has offered to issue a mortgage on the head office building as collateral for these funds.

The Balance Sheet of GPMB reflects revaluation of fixed assets. Real values of all assets need to be determined.



15

The Balance Sheet of GPMB also reports investments in subsidiary companies related to the operation, i.e. GRTC and GPMC. They are wholly owned by GPMB and are in liquidation. Financial statements on these subsidiaries were not available.

## E. Competition

Liberalization has eliminated restrictions on export of groundnuts. Senegal, which produces ten times the quantity of groundnuts produced in The Gambia, offers a higher priced alternative to the GPMB price. As mentioned earlier the price is subsidized by the Senegalese government. This creates unfair competition for GPMB, but provides the Gambian farmers with an alternative market at a premium price.

As an open economy the Gambian consumer has access to groundnut-based products from external sources.

## F. Legal and Regulatory

All of GPMB assets are located on property leased from GOTG. Duration of leases, lease payments and validity of leases are not known.

Currently there is an 11% tax on domestic produced refined cooking oil. Liberalization has not eliminated this disincentive.

Labor legislation requires notice and payment for any redundancy of full time employees.

## G. Time Frame

In 1990, the GOTG and the World Bank agreed to privatize GPMB by July 1992. This time frame is not practical if the best terms are to be obtained for GPMB. The month of July offers the ideal time for ownership transfer as it enables the new owner to carry out essential planning and equipment rehabilitation before the next crop is harvested. Thus, the optimal deadline is July 1993.

DRAFT

# VI. CONCLUSIONS AND RECOMMENDATIONS

## A. Conclusions

Liberalization is working. Subsidies for groundnuts have been eliminated from the GOTG budget and the market place. Producer prices are determined by the market and are not established by GPMB. Producer revenue is below last year's monopolistic established prices.

Gambia's groundnut sub-sector is not of a significant size and is subject to influence and adjustment from various external, regional and international factors. Senegal offers an alternative market, albeit heavily subsidized, for the Gambia groundnut crop.

Prices established by GPMB for the 1991/92 crop is not competitive. Due to lack of groundnuts, with deliveries being only 10% of last year's crop for a comparable period, GPMB may not operate their processing units this year. Failure of GPMB to operate this crop, either for lack of groundnuts or failing to complete the installations of EEC funded spares in good time, will have a negative impact on the value of GPMB.

GPMB offers an alternative to the producer albeit at a lower price than exists in the market. If GPMB ceased to operate in the Gambia, the farmer would be vulnerable to predatory pricing from Senegal. This leads to a strong argument for maintaining a processing facility in The Gambia to safeguard the interests of the farmer. The existing and traditional structure of the groundnut sub-sector is segmented and fragmented. Vertical integration of the industry has never been achieved. Currently there is no direct relationship between producer and processor.

GPMB has failed to adjust to the liberalization polices of the GOTG. Liberalization has benefitted the middleman (GCU), who has adapted to free market practices at the expense of the producer and processor. GCU has increased its scope of operation and influence, including becoming an acceptable and legitimate credit risk.

GPMB processing units, particular the oil mill at Denton Bridge, require rehabilitation or replacement. Power and steam generation at Denton Bridge seem to be an under utilized asset. The river transport system, which is assumed to be economic, is not reliable.

GPMB has depended upon GOTG subsidies, grants and other transfer payments to continue operations. Operating profits from groundnut operations are difficult to find over the past decade. The non-core assets of GPMB and long term debt have a strong impact on the financial statements and thus the value of the company. Short term funding through the G-Bill mechanism for working capital needs, are reliable. However, if they are used for any other operating requirements, GPMB runs the risk of not having sufficient funds available to meet purchasing commitments.

GPMB has not been prepared for privatization as rapidly as GOTG, World Bank/IMF and international donors originally desired. The management faces the dilemna of trying to conduct on-going operations for the 1991/92 crop while racing toward privatization.

Privatization of GPMB, a sale to a willing buyer and transfer of title and assets will not be completed by July 1992. Having GPMB prepared for sale by July 1992 is possible. Management of GPMB past this date and the expiration of the AMSCO management contract must be addressed with appropriate decisions and actions taken by GOTG.

## B. Recommendations

GPMB should review the current status of the 1991/92 crop operation and implement the necessary adjustments required to maintain GPMB as a going concern, either actual or perceived. In this connection the current producer price should be reviewed with the aim of setting a target which would attract willing sellers of groundnuts. In addition GPMB should also look towards improving the efficiency of operations in order to minimize operating costs. Greater attention should also be paid to providing extension services to the farmers in order to counteract GCU's dominance of this sector. GPMB should also expedite clearance and install spares and replacement parts procured under the EEC grant of US$1.5 million. A business strategy should be developed embracing private sector principles and directed at minimizing operating losses for the 1991/92 crop.

Disposal of non-core assets is a pre-requisite for a successful privatization effort (Annex A) in order to make GPMB more attractive for sale. It would be difficult to find a willing buyer who would be prepared to accept the non-essential assets (most of which would fetch values below book value) in a transaction. At present the indications are that these will be sold or have been sold pending receipt of proceeds. However, title has not changed and thus, it will be assumed that they are still on the books of GPMB. The most notable example is the cotton ginnery which has been leased to a French group with the government receiving the lease payments although the title remains with GPMB . It is essential that these are completed by March 31, 1992, the date established by and agreed with the NIB. The issuance of the Report of Accounts for fiscal year 1991 (including adjustments reflecting the transfer of non-core assets) should be expedited by GPMB.

Continuation of management at GPMB beyond July 1992 is essential to maintain continuity and momentum for privatization. To this extent GOTG should commence negotiations with AMSCO or other qualified international firms for the on-going management of GPMB past the July 1992 date. Leasing GPMB to private managers or operators as a short term solution is not a viable option as it only delays the privatization process and does not necessarily add value to the company. Any major change in management or structure of the company should be for the long term with a view towards privatization.

GOTG should review the long-term debt obligations of GPMB to assess what reasonable action can be developed to resolve and remove these obligations. The Central Bank of The Gambia should exercise prudent banking judgment to insure the proceeds of the 1991/92 crop G-Bill issue, currently in escrow, not be disbursed to support operational requirements in lieu of groundnut purchases.

GOTG should review and concur with the three phased Action Plan contained in Section VII. Implementation of the Near Term Program of the Action Plan should commence in April 1992.

GOTG should continue its successful policy of liberalization and in this context should pursue negotiations through GATT regarding the Senegal subsidy.

**DRAFT**

# VII. ACTION PLAN

The results from our findings suggest that operationally and financially, GPMB is weak. Notwithstanding, potential for privatization exists depending upon the method by which sale is executed.

PW/IPG's analysis of GPMB operations and its strengths and weaknesses indicate that certain measures need to be implemented. The time constraints agreed between GOTG and the World Bank dictate that no additional studies be undertaken, but preparation of sales documents should commence immediately. Therefore PW/IPG proposes a strong "fast track" and attractive privatization action plan for GPMB that will fully meet USAID and the GOTG privatization objectives while ensuring that the privatization is implemented in a sound and methodological manner.

<u>PHASE I - Immediate Action - February 1st - March 31, 1992</u>

1. <u>Review of Current Crop Operations (GPMB responsible).</u>

   Review of the current crop operations at GPMB should be undertaken to determine whether GPMB will operate the processing units at Kaur and Denton Bridge during the 1991/92 season. Decisions should be made by February 15, 1992.

2. <u>Completion of Rehabilitation of GPMB facilities under EEC Grant (GPMB responsible)</u>

   Clearance and installation of spares and replacement parts procured under EEC grant should be completed by March 31, 1992.

3. <u>Divestiture of Non-Core Assets (GOTG/NIB responsible).</u>

   Completion of sale and transfer of non-core assets currently underway should be completed by March 31, 1992.

4. <u>Publication of Fiscal Year 1991 Report of Accounts (GOTG/NIB, GPMB responsible)</u>

   Issuance of the November 30, 1991, GPMB Report of Accounts by the Certified Accountant must be available by March 31, 1992. These should reflect the effect of the removal of all non-core assets from the GPMB balance sheet with the appropriate footnotes being incorporated in a pro-forma balance sheet.

5. Completion of Phase I - Immediate Action (GOTG/NIB, GPMB responsible)

Action is required by GOTG/NIB and GPMB management if Phase I is to be completed in good time. To maintain the momentum to achieve the July 31, 1992, deadline for GPMB being prepared for sale these items must be completed by March 31, 1992.

## PHASE II - Near Term Activities - April 1, 1992 - July 31, 1992

1. Preparation of updated valuation and limited business review of GPMB; (PW/IPG responsible).

1) as a going concern - DCF value
2) the core assets necessary for the continuing integrated operations as purchaser, processor and marketer of groundnut.
3) sale of core asset as segments
4) liquidation value of the core assets.

Annex B contains a proposed scope of work to accomplish both of these objectives. GOTG/NIB, with USAID support, would be responsible for engaging the privatization team to continue its work on the valuation and limited business review of GPMB. Work should commence in April 1992, with the Valuation Report and Limited Business Review delivered and presented to GPMB/NIB and USAID by June 30, 1992.

2. Identification of Potential Bidders (PW/IPG responsible)

Local, regional, and foreign firms will be identified and ranked on the basis of level of participation in the groundnut and oilseed industry in order to create a basis for assessing the degree of possible interest in GPMB. The list will also include oilseed processors, confectionery producers, commodity traders and other related parties. The expected completion date is June 30th 1992.

3. Preparation of Prospectus/Offering Memorandum (PW/IPG responsible).

Concurrent with the delivery and presentation of the Valuation Report and Limited Review, the privatization team will commence field work for the preparation of the Prospectus/Offering Memorandum. The prospectus will be delivered by July 31st 1992.

Preparation of the Valuation Report and the Prospectus would be undertaken by the privatization team, augmented by head office support and engaging local consultants in



34

The Gambia. Work would be a combination of field and head office. All work, except the printing of the agreed and authorized Prospectus, would be completed by July 1992.

4. Management of GPMB (GOTG/NIB responsible)

Since GPMB will still be owned by the GOTG past July 31, 1992, it will be necessary for the issue of management of GPMB for the 1992/93 crop be addressed. Continuation of AMSCO by extension of their contract or engagement of qualified managers must be resolved. GOTG/NIB must contract managers no later than July 31, 1992.

5. Review of Price for groundnuts in Senegal (GOTG responsible)

GOTG must review the producer price for groundnuts paid by GOS to confirm the value and level of any subsidy. The GOTG should determine if any formal complaint or action should be taken with international tribunals, such as GATT, or other agencies who establish norms and monitor trade practices among nations.

6. Removal of Impediments to Fixed Assets Title Issue (GOTG responsible)

GOTG/NIB should clear any impediments relating to title issues of GPMB real property, leases and operating rights and privileges.

7. Privatization Options

Foremost among the privatization issues are the enhancement of competition in the oilseeds sector and whether it is essential for The Gambia to maintain a groundnut processing facility. To these effects several privatization strategies as listed below will be considered:

- Equity sale to a single buyer or group of buyers. Domestic and foreign buyers will be solicited.

- Asset sale: as a going concern and based on liqidation values. It is envisaged different owners will be sought for each of the key business units. For example, sale of the Kaur decorticating plant as a separate unit from the sale of the Denton Bridge facility; sale of the oil mill at Denton Bridge as an independent unit separate or in conjunction with the decorticating facility.

Among possible ownership candidates is GCU. However, given that ownership control of GPMB by GCU will create a monopoly, it is likely that a bid from GCU will be given careful consideration. Similarly, ownership by the Government of Senegal or the

Senegalese private sector will be scrutinized closely given the possibility of predatory pricing occurring or a shut down of the processing facilities.

Given the necessity for capital for a complete rehabilitation of plant and machinery, foreign participation will be desirable. Continued government participation is unlikely if the beneficial effects from liberalization are to be achieved.

The optimal privatization strategy will be decided once the valuation has been achieved.

PHASE III Long Term Activities - August 1, 1992 - June 30, 1993

1. Preparation of GPMB 1992-93 Business Plan (GPMB, GOTG/NIB responsible)

   A business plan for the 1992-93 crop season should be prepared. Recognition of the factors necessary for GPMB to be competitive is essential as well as taking into account that GPMB is being offered for sale. An estimated completion date is August 31, 1992.

2. Review of Key Operating Parameters (GOTG/NIB, GPMB responsible).

   Review of GPMB manning levels, staffing and overhead cost should be undertaken by GOTG/NIB and the GPMB management. Determination of a redundancy schedule of all personnel should be completed by September 30, 1992. Schedules for notification, calculation of cost and allocation of who is to pay cost of redundancy payments should be completed by October 15, 1992.

3. Role of GPMB during the Sale Process (GOTG/NIB responsible).

   The management of GPMB should concentrate on operation of the company and not be involved in the negotiation process.

4. Distribution of Prospectus to Potential Bidders (GOTG/NIB, PW/IPG responsible).

   Distribution of the Prospectus to the list of potential bidders should be accomplished by September 15, 1992. GOTG/NIB and the privatization team would be responsible for this activity, which is the initial step of the actual divesture of GPMB.

5. Bidding, Evaluation, Negotiation (GOTG/NIB, PW/IPG responsible).

Bids on GPMB should be received by GOTG/NIB from qualified bidders by November 30, 1992.

Evaluation and ranking of bids, utilizing established methodologies should be completed by January 31st 1993.

Negotiations should begin no later than February 28 1993 with completion prior to March 31st 1993. PW/IPG intends to assist in the negotiation process.

6. Completion of the Privatization (GOTG/NIB, PW/IPG responsible).

Finalization of legal documents by GOTB for signature, execution of conditions precedent for sale, deposit of earnest funds by buyer in Central Bank of Gambia and establishing transfer date and adjustment procedure for any inventory, work in process, account receivable or other working assets and liabilities. The transfer of GPMB to new owner(s) should be completed no later than June 30, 1993.

ANNEX A - TABLE 1

PRICE WATERHOUSE - OFFICE OF GOVERNMENT SERVICES
GAMBIA PRODUCE MARKETING BOARD (GPMB)

FIXED ASSETS SCHEDULE (FOR INFORMATION ONLY) FROM GPMB FINANCIAL STATEMENT- Amounts in 000s

$1 = 8.4 Dalasis

AS @ JANUARY 1992

| CORE ASSETS | VALUE | | NON-CORE ASSETS | VALUE | |
|---|---|---|---|---|---|
| | Dalasi | Dollar | | Dalasi | Dollar |
| Depots | 63,577 | $7,569 | Warehouses | 7,975 | $949 |
| Transits | 13,471 | $1,604 | Rice Mills | 2,075 | $247 |
| Decort Plants | 13,541 | $1,612 | Cotton Ginnery | 17,275 | $2,057 |
| Oil Mills | 77,144 | $9,184 | Head Office | 6,341 | $755 |
| | | | Briquette | 2,100 | $250 |
| Stores | 5,204 | $620 | Barra Hotel | 2,000 | $238 |
| Other | 4,336 | $516 | | | |
| TOTAL | 177,273 | $21,104 | | 37,766 | $4,496 |
| TOTAL: CORE + NON-CORE | 215,039 | $25,600 | | | |

Assumption

Amounts stated at cost values
GPMC property in London: Value as yet not known
Other include QC, Construction, Transportation, Engineering
Cotton Ginnery not stated in AMSCO Business Plan

ANNEX A - TABLE 2

| GAMBIA PRODUCE MARKETING BOARD (GPMB) INCOME STATEMENT FOR THE YEARS ENDED NOVEMBER 30TH (In Dalasi 1,000) | | | | | |
|---|---|---|---|---|---|
| TITLE | 1990 | 1989 | 1988 | 1987 | 1986 |
| TURNOVER | 125090 | 58100 | 88575 | 97340 | 91470 |
| OPERATING PROFIT | -4220 | 9135 | 22010 | -85200 | -37930 |
| CHARGES & EXPENDITURES: | | | | | |
| Remuneration & Excise Duties | 955 | 950 | 1110 | 225 | 140 |
| Depreciation | 7415 | 7415 | 7415 | 615 | 2725 |
| Interest Payable | 7925 | 10900 | 11600 | 20620 | 22230 |
| Export Tax | | 4670 | 8170 | | |
| Subscriptions, Contributions & Grants | 270 | 225 | 680 | | |
| Exchange Loss | | | | 1860 | |
| INCOME: | | | | | |
| Dividends, Investment Income | 170 | 1550 | 1365 | 2260 | 2360 |
| Profit on sale & other gains | 845 | 700 | 8100 | 80 | 3970 |
| Rental Income | 700 | 660 | 660 | 270 | 165 |
| Govt. Contributions & Write offs: | | | | | |
| Producer Price Support | | 13200 | 50000 | 38130 | 12700 |
| Price Stabilization Grant | | | | 18430 | 44875 |
| Special Govt. Grant | | 55500 | 0 | 62300 | 0 |
| Govt. Indebtedness written off | | | | -13070 | -22880 |
| NET PROFIT/LOSS | -4490 | 41430 | -5865 | 20580 | -3240 |
| Reserve Profit/Loss b/f | 33140 | -8290* | (690) | (21270) | (18030) |
| General Reserve c/f | 28650 | 33140 | (6555) | (690) | (21270) |

* Prior year adjustment of -1735 added to General Reserve -6555 Of 1988 to give a figure of -8290.

ANNEX A - TABLE 3

PRICE WATERHOUSE - OFFICE OF GOVERNMENT SERVICES
GAMBIA PRODUCE MARKETING BOARD (GPMB)

ESTIMATED BALANCE SHEET @ JANUARY 1992

| | AMOUNT | |
|---|---|---|
| | Dalasis | Dollar |
| CURRENT ASSETS | | |
| CASH | 353 | $42 |
| INVENTORY | 12,907 | $1,537 |
| INTERCOMPANY/OTHER DEBTORS | 14,178 | $1,688 |
| TOTAL CURENT ASSETS | 27,438 | $3,266 |
| FIXED ASSETS | 215,039 | $25,600 |
| LOANS & INVESTMENT | 4,366 | $520 |
| TOTAL ASSETS | 246,843 | $29,386 |
| CURRENT LIABILITIES | | |
| G-BILLS | 5,400 | $643 |
| MISCELLANEOUS | 1,200 | $143 |
| TOTAL CURRENT LIABILITIES | 6,600 | $786 |
| LONG TERM DEBT | 67,084 | $7,986 |
| TOTAL LIABILITIES | 73,684 | $8,772 |
| CAPITAL | 173,159 | $20,614 |
| TOTAL CAPITAL & LIABILITIES | 246,843 | $29,386 |

ANNEX A - TABLE 4

PRICE WATERHOUSE - OFFICE OF GOVERNMENT SERVICES
GAMBIA PRODUCE MARKETING BOARD (GPMB)

FOR INFORMATION ONLY; FIGURES FROM GPMB FINANCIAL STATEMENTS - Amounts in 000s

**LONG TERM DEBT AS @ JANUARY 1992**

| CREDITOR | AMOUNT | |
|---|---|---|
| | Dalasis | Dollar |
| GOTG | 5,576 | $664 |
| Caisse Centrale | 1,110 | $132 |
| European Investment Bank | 13,983 | $1,665 |
| Africa Dev Fund | 32,138 | $3,826 |
| Africa Dev Fund | 11,064 | $1,317 |
| Danish Intl Dev Agency | 3,213 | $383 |
| **TOTAL** | **67,084** | **$7,986** |

ANNEX A - TABLE 5

PRICE WATERHOUSE - OFFICE OF GOVERNMENT SERVICES
GAMBIA PRODUCE MARKETING BOARD (GPMB)

INVESTMENT SCHEDULE (FOR INFORMATION ONLY) FROM GPMB FINANCIAL STATEMENT - AMOUNTS IN 000s

$1 = 8.4 Dalasis

AS @ JANUARY 1992

| Company | % of Equity | Amount @ 1992 Dalasis | Dollar |
|---|---|---|---|
| Gambia Commercial and Dev Bank | 18% | 3,060 | $364 |
| Citroproducts (?) | ? | 676 | $80 |
| Agriculture and Development Bank (ADB) | 10% | 100 | $12 |
| **TOTAL** | | **3,836** | **$457** |

Note:

| | | |
|---|---|---|
| ADB closed | | |
| Net Total Investment | 3,736 | $445 |

ANNEX A - TABLE 5 (CONT'D)

PRICE WATERHOUSE - OFFICE OF GOVERNMENT SERVICES
GAMBIA PRODUCE MARKETING BOARD (GPMB)

FOR INFORMATION ONLY - FIGURES FROM GPMB FINANCIAL STATEMENTS (Amounts in 000s)

**Subsidiary**
**Investment**

AS @ JANUARY 1992

| Subsidiary | % Ownership | Amount Dalasis | Amount Dollar |
|---|---|---|---|
| Gambia River Trans Co (GRTC) | 100% | 630 | $75 |
| 6% loan to GRTC | | | |
| GPMC (London) | 100% | 0 | $0 |
| TOTAL | | 630 | $75 |
| **GRAND TOTAL (COMPANY + SUBSIDIARY)** | | **4,366** | **$520** |

Notes:

GPMC liqidated end 1989
GRTC under voluntary liquidation

ANNEX A - TABLE 6

**GAMBIA PRODUCE MARKETING BOARD (GPMB)**
**SENSTIVITY ANALYSIS FOR 1991-92 (PROD. PRICE vs TONNAGE)**
**DALASI AMOUNTS & TONNAGE IN (,000) EXCEPT PRICE**

| | | |
|---|---|---|
| *PROD. PRICE* | *1,506* | |
| *SALE PRICE* | *2,509* | |
| *TONNAGE* | *35* | |
| *INTEREST COST* | *7.69%* | |
| *SALES* | *87,802* | *100%* |
| *VC* | *52,710* | *60.03%* |
| *Other VC* | *19,765* | *22.51%* |
| *Total VC* | *72,475* | *82.54%* |
| *Total FC* | *8,571* | *9.76%* |
| *P/L before Interest* | *6,756* | *7.69%* |
| *Interest* | *6,756* | *7.69%* |
| *NET PROFIT* | *0* | *0%* |

| PROD. PRICE | *TONNAGE (in '000)* | | | | | | |
|---|---|---|---|---|---|---|---|
| +C24 | 10 | 15 | 20 | 25 | 30 | 35 | 40 |
| 1000 | (1,062) | 2,692 | 6,447 | 10,201 | 13,956 | 17,710 | 21,464 |
| 1050 | (1,562) | 1,942 | 5,447 | 8,951 | 12,456 | 15,960 | 19,464 |
| 1100 | (2,062) | 1,192 | 4,447 | 7,701 | 10,956 | 14,210 | 17,464 |
| 1150 | (2,562) | 442 | 3,447 | 6,451 | 9,456 | 12,460 | 15,464 |
| 1200 | (3,062) | (308) | 2,447 | 5,201 | 7,956 | 10,710 | 13,464 |
| 1250 | (3,562) | (1,058) | 1,447 | 3,951 | 6,456 | 8,960 | 11,464 |
| 1300 | (4,062) | (1,808) | 447 | 2,701 | 4,956 | 7,210 | 9,464 |
| 1350 | (4,562) | (2,558) | (553) | 1,451 | 3,456 | 5,460 | 7,464 |
| 1400 | (5,062) | (3,308) | (1,553) | 201 | 1,956 | 3,710 | 5,464 |
| 1450 | (5,562) | (4,058) | (2,553) | (1,049) | 456 | 1,960 | 3,464 |
| 1500 | (6,062) | (4,808) | (3,553) | (2,299) | (1,044) | 210 | 1,464 |
| 1550 | (6,562) | (5,558) | (4,553) | (3,549) | (2,544) | (1,540) | (536) |
| 1600 | (7,062) | (6,308) | (5,553) | (4,799) | (4,044) | (3,290) | (2,536) |
| 1650 | (7,562) | (7,058) | (6,553) | (6,049) | (5,544) | (5,040) | (4,536) |
| 1700 | (8,062) | (7,808) | (7,553) | (7,299) | (7,044) | (6,790) | (6,536) |
| 1750 | (8,562) | (8,558) | (8,553) | (8,549) | (8,544) | (8,540) | (8,536) |
| 1800 | (9,062) | (9,308) | (9,553) | (9,799) | (10,044) | (10,290) | (10,536) |
| 1850 | (9,562) | (10,058) | (10,553) | (11,049) | (11,544) | (12,040) | (12,536) |
| 1900 | (10,062) | (10,808) | (11,553) | (12,299) | (13,044) | (13,790) | (14,536) |
| 1950 | (10,562) | (11,558) | (12,553) | (13,549) | (14,544) | (15,540) | (16,536) |
| 2000 | (11,062) | (12,308) | (13,553) | (14,799) | (16,044) | (17,290) | (18,536) |
| 2050 | (11,562) | (13,058) | (14,553) | (16,049) | (17,544) | (19,040) | (20,536) |
| 2100 | (12,062) | (13,808) | (15,553) | (17,299) | (19,044) | (20,790) | (22,536) |
| 2150 | (12,562) | (14,558) | (16,553) | (18,549) | (20,544) | (22,540) | (24,536) |
| 2200 | (13,062) | (15,308) | (17,553) | (19,799) | (22,044) | (24,290) | (26,536) |
| 2250 | (13,562) | (16,058) | (18,553) | (21,049) | (23,544) | (26,040) | (28,536) |
| 2300 | (14,062) | (16,808) | (19,553) | (22,299) | (25,044) | (27,790) | (30,536) |
| 2350 | (14,562) | (17,558) | (20,553) | (23,549) | (26,544) | (29,540) | (32,536) |
| 2400 | (15,062) | (18,308) | (21,553) | (24,799) | (28,044) | (31,290) | (34,536) |
| 2450 | (15,562) | (19,058) | (22,553) | (26,049) | (29,544) | (33,040) | (36,536) |
| 2500 | (16,062) | (19,808) | (23,553) | (27,299) | (31,044) | (34,790) | (38,536) |

<---Profit/(Loss)--->

**Assumptions:**

1. Amts. as per AMSCO business plan which assumes a break-even Prod. price of 1,506 Dalasis/ton and a throughput of 35,000 tons.
2. Even if GPMB does not operate in 1991-92, it will incur a min. loss of at least D8,571 (Fixed cost) + D6,756 (Int.) = D15,327.
3. Cost relationships maintained as closely as possible to business plans (allowing for rounding errors).

**DRAFT**

# ANNEX B

## SCOPE OF WORK

### I. Objective

The objective of the engagement is to conduct a valuation and limited business review of GPMB with the view of preparing a prospectus for sale by July 31, 1992. Thereafter, PW/IPG will assist the GOTG in the implementation of the privatization. These activities will be carried out taking into account

### II. Key Criteria

PW/IPG overall approach is based upon five criteria which we believe are essential to the successful implementation of this effort.

#### A. Privatization Team

The privatization of GPMB will require the PW/IPG to develop and produce a number of critical work products. We will therefore form a multi-disciplinary team of international and local expertise to ensure that a complete and thorough evaluation of GPMB is performed.

#### B. Participation of USAID/Banjul, The Government of the Gambia (GOTG) and GPMB.

As we view this effort to be a collaborative effort among PW/IPG, USAID/Banjul, the GOTG and GPMB, the concurrence of these parties is crucial.

#### C. Transparency

We believe that a transparent process is important for both the specific privatization of GPMB and to build support and confidence in the GOTG's privatization program.

#### D. Quality, Independence and Confidentiality

The USAID, the GOTG and GPMB can be assured that the privatization process will proceed smoothly and will be of the highest quality. In order to ensure confidentiality, we will work directly with the USAID/Banjul, providing them with valuation numbers and classified information. Their prior approval will be required before any information is released to any other party.

### E. Foreign Investment Promotion

If it is determined in the course of our evaluation that a foreign investor is desirable, we will be sensitive to GPMB's financial, technical and management needs.

## III. Tasks

### A. Valuation Report and Limited Business Review

The objective of the Valuation Report and Limited Business Review is to establish a range of realistic values for GPMB. This will allow the GOTG to concur with a reserve price in order to evaluate bids.

The valuation and review of GPMB will be carried out under different scenarios using different methodologies. The scenarios will assume GPMB as a going concern. The output is the Valuation Report incorporating a limited business review and will present a range of values (comprising of a floor and ceiling value) of GPMB at which the team has arrived. The range of values is intended to be the reserve price for the company. The memorandum will include a discussion of applicable valuation methods and will describe the mix used in determining the value range. The report will also review and analyze the main inputs used for valuing GPMB - such as projected cash flows and their riskiness, asset values, country risk considerations, selected discount rate band and the strategic value of GPMB in its entirety as well as particular assets or business units eg Kaur decorticating plant, Denton Bridge facility or Gambia River Transport Authority.

Five different valuations will be examined. Each will contain a range of values to provide GOTG guidance in determining their reserve price. A range of values will be determined on the sale of GPMB as a "going concern" using Discounted Cash Flow; all GPMB core assets as a unit; sale of core assets in segments; liquidation value sold "as is where" and if possible comparable sale basis.

DCF assumes that GPMB is a going concern and involves discounting the projected future cash flows to the present at a pre-determined discount rate. The value of assets as a unit or in segments will indicate which will attract the highest bid. In the latter range of values recommendations on grouping of segments, ie Denton Bridge complex as a unit or in operating units, will be undertaken. Liquidation value will be established. If there are similar sales of oil processing operations are identified construction of a value for GPMB will be undertaken.

The team will also undertake to assess the cost and returns associated with setting up a new processing facility - oil mill and/or decorticating plant - in order to assess barriers to entry. In addition assessment of the optimum range of processing facilities required for the Gambian economy will be carried out.

### B. Identification of Buyers

PW/IPG will undertake to identify potential purchasers (domestic and foreign) for GPMB (or segments of the core assets) Key characteristics of the target market will be determined and a short list of qualified bidders compiled. This would include local interest active in the groundnut sub-sector, regional interest on the West Coast of Africa who would be marketers or consumers of the products, and international ranging from trading houses, oil seed processors to processing operations in the confectionery trade. The identification process will be non exclusive and non discriminatory in its listing of qualified bidders.

### C. Prospectus/Offering Memorandum

The prospectus will be based on the findings and conclusions arrived at from the valuation and limited business review. It will address areas on the economy of the Gambia, current legislation, investment incentives, taxation policy, labor law and other relevant matters. While risk factors will be commented on in the prospectus it will be prepared on the basis that the bidder is an informed buyer and has knowledge of the country, the region, the industry and world commodity prices and trends. It will provide critical information highlighting the strengths of GPMB intended to elicit the interest of prospective bidders. Parameters for the terms of bidding and conditions acceptable to GOTG will be incorporated into the prospectus.

### D. Solicitation, Evaluation and Negotiation (Post July 31st)

Procedures for soliciting of bids, methodologies of evaluation and ranking of bids will be prepared for GOTG/NIB.

Technical Assistance in this process will be provided by PW/IPG. An in-depth evaluation of the merits of each qualified bid will be conducted. Development of formula to allow for unbiased ranking will be put in place.

Negotiation with selected bidders will be conducted with assistance from PW/IPG. Agreements and documents will be developed to be available during the negotiation process.

PW/IPG will also participate in the closing of the transaction.

## IV. Privatization Team

In this section we present our project team for conducting this assignment.

A. Project/Task Manager/Technical Reviewer. Price Waterhouse will assign a Partner in charge of overseeing the technical quality of all International Privatization Group projects responsibility. The Partner will have extensive international experience and has worked on privatization projects. In conformance with Price Waterhouse's quality control system the Partner will serve as Quality Control Partner on this engagement responsible for all aspects of the project.

B. Management Consultant/Project Support Manager. Directly supervising the Project will an experienced Price Waterhouse Manager with at least 10 years experience in Africa and 5 years experience in privatization. Experience as a Financial Analyst and Project Management will be required. Advance degrees will be required. Coordinating the activities of the privatization team, insuring the scope of work and work plan are performed. Coordination of the multi-disciplinary privatization team work in country and in preparation work products. Support for the privatization team and ensuring that contractual obligations, PW/IPG standards and procedures are effectively meet. The Project Support Manager will report to the Partner.

C. Project/Task Manager. Field work will be under the direction of an experienced agro-industrial enterprise specialist (at least 10 years experience) with extensive in Africa (10 years experience) and privatization experience (5 years experience)
An advance degree in business, economics or finance is desired.

D. Financial Analyst. An financial analyst with experience in privatization, an advance degree in business, economics or finance or a CPA, and work experience in Africa will be required.

E. Local Consultant

The privatization team would seek to engage local Gambian consultants who possess degrees from recognized Western institutions and a wide range of work experience in both the public and private sectors of the Gambia. The consultant will be expected to assist in the data gathering, interface with government agencies and contribute to the work effort of the team.

## V. Level of Effort

see work plan



48

## VI. Timing

It is recommended that work on Phase II commences in April 1992 to ensure completion by July 31, 1992. Phase III should begin soon thereafter in order to consummate the transaction in a timely manner.

## ANNEX C. ACKNOWLEDGEMENT AND THANKS TO THE FOLLOWING GOTG, GPMB AND USAID PERSONNEL FOR ASSISTANCE DURING THE RECONNAISSANCE MISSION.

**USAID/Banjul**

Ms. Bonnie Pounds, USAID Representative
Mr. Fred Witthans, Economic Officer
Mr. Don Drga, Agricultural Officer

**National Investment Board**

Mr. Abdoulie Touray, Managing Director
Mr. Liman Barrow, Principal Economist

**Ministry of Finance**

Honorable Saihou Sabally, Minister
Mr. Charles Mann, Advisor
Mr. Andrew Adam, Advisor
Dr. James Dusenberry, Advisor

**Ministry of Trade, Industry and Employment**

Honorable Mbomb Jatta, Minister
Ms. Juka F. Jabang, Deputy Permanent Secretary

**Central Bank of Gambia**

Mr. Clark B'jo, General Manager

**Office of the President**

Mr. Tim Arnold, Advisor

**Gambia Produce Marketing Board**

Mr. Eric Brewes, Managing Director
Mr. Colin Sayers, Operations Director
Mr. Mohammed Manjang, Chief Financial Officer
Mr. Tommy Walker, Manager, Kaur Plant
Mr. Alhaji Cham, Maintenance Engineer

**Private Sector**

Mr. Graham Yates, Deputy Manager, Standard Chartered Bank
Mr. Ben Carr, Consultant
Mr. D. Sunyan, Chief Accountant, GCU

**World Bank**

Ms Denise Williamson, Country Economist

GAMBIA PRODUCE MARKETING BOARD (GPMB)
WORK PLAN – PRIVATIZATION

| TASK | PARTY RESPONSIBLE | TIMING OF WORK | LEVEL OF EFFORT | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | WEEK 1 | WEEK 2 | WEEK 3 | WEEK 4 | WEEK 5 | WEEK 6 | WEEK 7 | WEEK 8 |
| **PHASE I – IMMEDIATE ACTION: FEB. 1992 – MARCH 31 1991** | | | | | | | | | | |
| A. Review of current crop situation to determine probability of GPMB operating this season | GOTG/NIB, GPMB | February – March 31 1992 | | | | | | | | |
| B. Clearance/Installation of spares | GPMB | February – March 31 1992 | | | | | | | | |
| C. Divestiture of non-core assets | GOTG/NIB, GPMB | February – March 31 1992 | | | | | | | | |
| D. Publication of Fiscal 1991 Report of Accounts | GOTG/NIB | February – March 31 1992 | | | | | | | | |
| E. Completion of Phase I – Immediate action required | GOTG/NIB, GPMB | February – March 31 1992 | | | | | | | | |
| **PHASE II – NEAR TERM (VALUATION): APR 1 1992 – JULY 31 1992** | | | | | | | | | | |
| A. Preparation of updated valuation & limited business review | PW/IPG | April 1 – 29, 1992 | | | | | | | | |
| B. Identification of potential bidders | PW/IPG | May 1 – June 15, 1992 | | | | | | | | |
| C. Preparation of Prospectus/Offering Memorandum | PW/IPG/GOTG | July 1 – 31, 1992 | | | | | | | | |
| D. Management of GPMB | GOTG/NIB | July 15 – 22, 1992 | | | | | | | | |
| E. Review of groundnuts price in Senegal | GOTG | July 1992 | | | | | | | | |
| F. Removal of impediments to Fixed assets title issue | GOTG/NIB | July 1992 | | | | | | | | |
| **PHASE III – LONG TERM ACTIVITIES: AUG. 1 1992 – JUNE 30 1993** | | | LT PLAN WILL BE SHOWN AFTER PHASES I & II ARE ACCOMPLISHED | | | | | | | |
| A. Prepare 1992 – 93 business plan for GPMB | GOTG/NIB/GPMB | By August 25 – 31 1992 | | | | | | | | |
| B. Review of key operating parameters | GOTG/NIB/GPMB | By September 25 – 30 1992 | | | | | | | | |
| C. Role of GPMB during the sale process | GOTG/NIB | October 1–8, 1992 | | | | | | | | |
| D. Distribute prospectus to potential bidders | GOTG/NIB/PW/IPG | By September 15 1992 | | | | | | | | |
| E (i). Bid | GOTG/NIB/PW/IPG | By Nov. 30 '92 | | | | | | | | |
| E (ii). Evaluate | GOTG/NIB/PW/IPG | By Jan. 31 '93 | | | | | | | | |
| E (iii). Negotiate | GOTG/NIB/PW/IPG | By Feb. 28, '93 | | | | | | | | |
| F. COMPLETION OF PRIVATIZATION | GOTG/NIB/PW/IPG | By June 30 1993 | | | | | | | | |

APRE/EM - Privatization Assistance **DRAFT BUDGET**
Contract No.: DPE-0018-Q-00-1002-00
PIO/T No.: 635-0237-3-10048
Country of Performance: The Gambia
Estimated Total Budget (in US$)
Title: Privatization of Gambia Produce Marketing Board (GPMB)
Subtitle: Phase II & III - Near term (Valuation) & Long Term: Apr. 1 1992-July 31, 1992

| A. Professional Services* Category | Daily Direct Salary | Fixed Multiplier | Fixed Daily Rate | Work Days | In-Country Days | Total | Trips |
|---|---|---|---|---|---|---|---|
| 1 Pjct/Task Manager-Waddell | $320.08 | 2.65 | $848.21 | 20 | 2 | $16,964.24 | 1 |
| 2 Mgt. Conslt.-Fellouris | $203.85 | 2.65 | $540.20 | 35 | 0 | $18,907.09 | 1 |
| 3 Priv. Specialist-Jewett | $320.08 | 2.65 | $848.21 | 150 | 80 | $127,231.80 | 3 |
| 4 Fin. Analyst-Butt | $165.39 | 2.65 | $438.28 | 140 | 80 | $61,359.69 | 3 |
| 5 Local Consultant | $180.00 | 2.65 | $477.00 | 70 | 0 | $33,390.00 | |
| 6 Intern | $64.00 | 2.65 | $169.60 | 48 | 0 | $8,140.80 | |
| Total Professional Services | | | | 345 | 162 | $265,993.62 | 8 |
| B. Travel, Transport & Allow. | | | | | | | |
| a. International Air Travel | | | | | | | |
| * DC-Banjul-DC | | | $5,168.00 | | | $25,840.00 | |
| * LA-Banjul-DC-LA | | | $5,500.00 | | | $16,500.00 | |
| b. Per Diem (Banjul) | | | $143.00 | 189 | | $27,027.00 | |
| c. Per Diem (Washington, DC) | | | $131.00 | 24 | | $3,144.00 | |
| d. Ground Transportation | | | $25.00 | 162 | | $4,050.00 | |
| e. Travel Costs | | | $25.00 | 8 | | $200.00 | |
| Total T.T.A. | | | | | | $76,761.00 | |
| C. Other Direct Costs | | | | | | | |
| a. Communication | | | $500.00 | 2 | | $1,000.00 | |
| b. Reproduction | | | | | | $500.00 | |
| c. Courier | | | $75.00 | 6 | | $450.00 | |
| d. Office Supplies | | | $100.00 | 2 | | $200.00 | |
| e. DBA Insurance | | | $38,837.60 | 3.09% | | $1,200.08 | |
| f. SOS Insurance | | | $150.00 | 2 | | $300.00 | |
| g. Computer Rental | | | $250.00 | 4 | | $1,000.00 | |
| Total O.D.C. | | | | | | $4,650.08 | |
| TOTAL PROJECT | | | | | | $347,404.70 | |

Phase III - Marketing, Negotiations etc - a broad estimation only given the uncertainty involved in consummating a transaction of this nature

* This delivery order is exempt from FAR 52.232-07 "Payments Under Time -and- Materials and Labor-Hour Contracts" (APR 1984).