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PRIVATIZATION IN THE AGRICULTURAL SECTOR IN AFRICA

The Case of the Gambia Produce Marketing Board

Draft Report

Prepared for the
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Currency Equivalents

Currency Name = Dalasi (D)

Exchange Rates Dalasis/$

1988	1989	1990	1991	1992	1993	1994
6.71	7.63	7.81	9.39	9.25	9.25	9.25

List of Abbreviations

ADB	-	Agricultural Development Bank
AMRC	-	Assets Management and Recovery Corporation
AMSCO	-	African Management Services Company
CTS	-	Cargill Technical Services
CFA	-	Communauté Financière Africaine
EC	-	European Community
EDF	-	European Development Fund
ERP	-	Economic Recovery Program
EU	-	European Union
FAO	-	Food and Agriculture Organization
FAQ	-	Fair Average Quality
GCDB	-	Gambia Commercial and Development Bank
GCU	-	Gambia Cooperative Union
GGC	-	Gambia Groundnut Corporation (Formerly GPMB)
GNIC	-	Gambia National Insurance Corporation
GOS	-	Government of Senegal
GOPMAC	-	Gambia Oilseeds Processing and Marketing Company
GOTG	-	Government of The Gambia
GPA	-	Gambia Ports Authority
GPMB	-	Gambia Produce Marketing Board
GRTC	-	Gambia River Transport Company
GUC	-	Gambia Utilities Corporation
HPS	-	Hand-Picked Select
MT	-	Metric Ton
NIB	-	National Investment Board
NTC	-	National Trading Corporation
PE	-	Public Enterprise
PW/IPG	-	Price Waterhouse International Privatization Group
SOE	-	State-Owned Enterprise

GOTG Fiscal Year

July 1 to June 30

GPMB (GGC) Fiscal Year

December 1 to November 30

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Executive Summary

Larger than all other Gambian parastatals put together, the Gambia Produce Marketing Board (GPMB) had been a mainstay of the Gambia's economy, dating back to pre-independence times. The country's fortunes had been so closely tied to those of GPMB that the decision to privatize it was taken only under pressure from donors. The case of GPMB illustrates potential risks and rewards of privatization in Africa. The company's size and economic impact made its privatization more contentious than other privatizations that had taken place in the country. Numerous problems arose in the pre-transaction bidding and negotiation stages. Many aspects of the process came under heavy criticism. But privatization also brought tangible benefits to groundnut producers, as well as the Gambian economy at large. This case explores the costs and benefits of the GPMB privatization process.

The GPMB transaction provides an ideal vehicle for examining three underlying issues related to any privatization in Africa.

- Examination of the privatization transaction allows practitioners to evaluate the tradeoffs involved in restructuring prior to privatization. Was the restructuring prior to GPMB's privatization necessary? If so, was the selected approach in GPMB's best interest?

- Examination of the GPMB transaction illustrates the importance of ensuring transparency throughout the process. Many in the Gambia assumed that the entire process of privatizing GPMB was corrupt, structured to benefit certain interested parties.

- The direction and outcome of the GPMB transaction provides a vehicle for the discussion of the appropriate role of donors in promoting privatization, as well as the role of privatized enterprises in the economic reform program.

In 1973, the newly created GPMB possessed a Government of the Gambia (GOTG or the Government)-sponsored monopoly on groundnut marketing, decortication and oil pressing. Throughout the mid-1970s the company amassed huge cash reserves due to the high prices received for its exports and the relatively low prices paid for inputs. GPMB became a "cash cow" (providing 45% of Government revenues in 1975 and 1978), effectively bankrolling the Government's pet projects in agriculture and other areas. GPMB's financial position throughout the 1980s, along with the Gambian economy which it sustained, remained shaky. In 1985, GPMB had outstanding domestic credit of D85 million, plus an additional D24 million in foreign bank overdrafts. The country's economy was stagnant, with GDP growing at 1.8% annually and per capita income declining.

In 1985 the Government embarked on an Economic Recovery Program which sought to promote market forces in the Gambian economy, particularly in the groundnut sector. Later,

in 1986, USAID made GPMB's privatization a conditionality for the release of the final tranche of a 3-year food aid program.

In April 1990, the GPMB lifted its monopoly on groundnut exports and legalized competition in groundnut purchasing. One month later, a sector liberalization plan, with a view towards GPMB's privatization, was proposed to USAID. Gambian farmers and traders, now legally permitted to export their crops, increased their sales to Senegal, where they received higher prices due to Government of Senegal price supports.

In parallel with the economic reform process, donors funded three restructuring efforts to help restore GPMB to profitability. The first, begun in 1987, was a three-year performance contract, specifying a variety of performance targets and goals. The performance contracts did not achieve their intended results.

The second and third efforts each brought in outside private-sector management teams. Nonetheless, GPMB's financial situation continued to worsen. Among the reasons for poor performance was an incentive structure that encouraged management to focus on profitability rather than on maintaining cash flow. This focus on profits led GPMB management to establish producer prices that were too low to enable the company to obtain the amount of groundnuts required to approach the breakeven mark.

In addition, GPMB began financial restructuring in July 1992. This entailed the divestiture of the company's non-core assets and the removal of its long-term debt obligations. In late 1992, the Government began to solicit international buyers via several international business publications. By December of the same year, information memoranda were widely distributed: 112 copies of the information memorandum had been sent to local and international companies/individuals. After three times being extended due to lack of bids, a final deadline of April 30, 1993 was made. Five bids were received and the evaluation process began in July 1993.

Though Alimenta, a Swiss agribusiness, and the Gambia Cooperative Union (GCU), its local joint-venture partner, submitted the winning bid, the process was tainted by accusations of favoritism. Six months after the privatization, Alimenta revoked GCU's option to buy shares in the alliance and the joint-venture collapsed.

The privatization itself (GPMB was renamed the Gambia Groundnuts Corporation (GGC) after privatization) aimed to improve strategic and capital investment decisions and effect greater efficiencies in groundnut marketing. GPMB's divestiture was also meant to inject competition in groundnuts sector, especially in areas of groundnut purchasing and input supply, which were monopolized by GCU.

Preliminary results of GPMB's privatization, and the sectoral liberalization which preceded, beginning in 1990, suggest it produced a number of beneficial effects, including: *increased competition* as GCU and private traders competed in the purchasing, marketing, and exporting of groundnuts; *increased efficiency* resulted from the foreign investor's (Alimenta's) operational changes and $3 million in capital investments; and *improved product quality* as Alimenta revamped equipment and helped farmers to produce higher value hand-picked select (HPS) nuts.

Several lessons can be learned from the GPMB privatization process. First, the case allows us to examine restructuring prior to privatization. The divestiture of non-core assets, assumption of outstanding liabilities by Government, and other financial restructuring actions were almost certainly prerequisites for a successful privatization. Less clear was the need for the retention of outside management and the extensive (and costly) plant rehabilitation exercise that immediately preceded GPMB's privatization. Outside management proved to be ineffective in large part due to a management contract which rewarded short-term thinking at the expense of a long-term view towards privatization.

Second, the case allows us to explore mechanisms for increasing transparency in the privatization process. Having a neutral third party present throughout the bidding process may have helped ensure a perception of fairness and impartiality. This could have been reinforced by a broad-based public information campaign targeting increased acceptance of privatization among the general public. Moreover, a formal contractual agreement between the joint-venture partners would also have increased transparency, and prevented much of the speculation and distrust towards Alimenta created by the break-up of the alliance.

Finally, the case permits an evaluation of optimal forms of donor intervention in the privatization process. Donor coordination was geared towards the eventual liberalization of the groundnut sector. But donor funds spent to support downstream interventions, particularly the interim private management phase and the bidding processes, may not have been as effective. What aspects of a privatization transaction should donors be prepared to support? The case suggests that the donor-funded management contracts created perverse incentives. On the other hand, the case suggests that the absence of donor support, or at least donor involvement, in certain aspects such as the bid evaluation process produced adverse results. In this area, donor-funded training and capacity building for the privatization unit, coupled with legal support for the sales and contract agreements, may have encouraged perceptions of fair play.

I. Introduction[1]

In July 1993, a joint venture group comprised of the Swiss food company, Alimenta, and a local investor, The Gambia Cooperative Union (GCU), bought The Gambia Produce Marketing Board (GPMB)[2]. The newly privatized GPMB was renamed the "Gambia Groundnuts Corporation" (GGC). The transaction, worth D20 million ($2.16 million), came with the promise of increased capital expenditures to improve both plant efficiency and the overall welfare of the Gambian groundnuts sector. In their business plan the investors stated that existing dilapidated equipment would be replaced and Gambian farmers would be helped to augment their yields of the higher quality hand-picked select (HPS) groundnuts, thereby increasing producer prices and bolstering company revenues.

Less than six months after GPMB's privatization, Alimenta made the announcement that its local partner (GCU) no longer had the option to buy its share of the joint venture. The decision made by the joint-venture partner was a result of a previous financing arrangement made by the two partners: any GGC loans were to be conditional upon GCU's overall financial stability. Effectively bankrupt, GCU did not have the financial resources to purchase either groundnut crops for the 1993/94 season or its share of equity in the joint venture. With no prospect of receiving cash from GCU, Gambian farmers preferred to sell their crops across the border to Senegal, thereby constraining GGC's ability to maintain an adequate level of throughput.

The fall-out between Alimenta and GCU came as a disappointment. Just when the ideal of marrying a strategic investor to a local participant seemed realized, the reality of financial disparities thwarted the alliance.

Although the GGC's performance was an improvement over the previous year's results, the company announced sizeable losses during its first year of operations.[3] Nevertheless, many

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[1]This case study was co-authored by Charles Krakoff of Abt Associates, Inc. and Kerry McKeon of Price Waterhouse LLP -- International Privatization Group. This is to serve as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. The co-author wishes to thank the USAID Mission in Banjul for technical advice and other support. In particular, Rose Marie Depp, Jodi Lis, Nancy McKay, and Fred Witthans made important contributions to this work. Also with editorial contributions were Tessie San Martin, Jay Madigan, and Johnnie Butt. The views expressed herein do not necessarily reflect those of USAID or its staff, and are the author's alone. The case study was undertaken as part of the Privatization and Development project funded by the United States Agency for International Development.

[2]The core assets (ie, those directly related to groundnut collection, processing and marketing) of GPMB assumed different names at different stages of the privatization process (first, "GPMB"; then "GOPMAC" after financial restructuring; and finally, "GGC" after privatization). For the sake of consistency and to avoid confusion for the reader, this report will use "GPMB" when referring to the company at large.

[3]Although the company would not disclose the extent of the losses, it is estimated that net losses ranged between D5 to D7 million (see explanation in Section III).

positive results emerged during the first year of operations after GPMB's sale: both the farmers and the company experienced net increases in welfare, as farmer's incomes increased and GGC began to cut losses. This case study will examine the GPMB transaction in some detail in an effort to understand the events that led to these results. The sale of the company represented the culmination of a process which began with the donor-sponsored reform programs of the mid-80s and continued with groundnut sector liberalization in 1990.

II. Privatization of GPMB

The Gambia Produce Marketing Board (GPMB) was by far the largest of the approximately 25 parastatals in the country. As pointed out in Section II (c), the privatization of GPMB was a key element of ongoing economic liberalization and donor conditionality. The company's privatization, together with the end of the Government's monopoly in groundnut purchasing and marketing, affected the lives of all Gambians. From 1986 through 1990, GPMB accounted for more than 30% of the revenue from all parastatals, and 30% of total public enterprise assets. GPMB's accumulated debt of D67 million at the time of its privatization exceeded that of all other parastatals combined.

In preparation for GPMB's privatization, USAID retained Price Waterhouse/International Privatization Group (PW/IPG) to carry out a two phased assignment from January through December 1992. The first phase recommended necessary measures to prepare GPMB for privatization; the second encompassed a business review, valuation, and a privatization strategy. The strategy itself involved advising the company prior to the sale, soliciting and meeting with potential investors, and issuing an information memorandum.

A. Preparation for Privatization

Initial Recommendations

With the World Bank, the GOTG agreed on July 1992 as the target date for completing GPMB's privatization. The PW/IPG reports enumerated several key conditions that needed to be fulfilled before GPMB could be adequately *prepared* for privatization:

- GPMB should be restructured financially; this included divestiture of non-core assets (e.g., warehouses, cotton ginnery, rice mills) from the company's books as well as removal of long term debt obligations.

- A suitable international management group should be retained beyond the initial July 1992 deadline, under the condition of maintaining the long-term objective of GPMB's privatization. The aim was to get experienced, motivated management in place to reduce operating costs and generate sustainable cash flow sufficient to make the company attractive, as a going concern, to an investor;

- The Government needed to continue to foster an enabling environment for business and privatization in the country. This meant ending price and export controls, among other actions.

PW/IPG stressed the importance of continuing operations during the preparation phase on the grounds that a successful privatization could occur only if the discounted cash flow (DCF) value of the company exceeded that of its liquidation value (a DCF analysis implicitly assumes that GPMB continues operations). This would address GOTG's concerns that an investor might want to buy the company with the intention of realizing a profit by liquidating it.

PW/IPG conducted analyses of alternative performance scenarios for GPMB. Based on the analysis of the likely fluctuation in key variables, PW/IPG arrived at estimates for GPMB's worth as a going concern, using the DCF method.[4] The valuation provided the Government with a yardstick for negotiating the sales price (see Section II (e)).

The DCF valuation provided a range of values from a negative worth of D40.2 million to a high of D51.93 million.[5] As a point of reference in addition to the DCF, the report also used asset-based methodologies including: net book value, replacement value, and liquidation value.[6] Based on both the DCF and asset-based valuation results, PW/IPG then presented a recommended value range D17.64 to 43.69 million. (See Exhibit 2.1 for an illustration of valuation ranges and bidder prices).

The Next Step....GPMB's Sale

PW/IPG's sales strategy recommended that a foreign-Gambian joint venture be encouraged: "the best case would be local investors with cash and in-country operations bidding in combination with an offshore interest that will bring technical and marketing capability to the groundnut operation." Moreover, PW/IPG urged that the sale of GPMB's stock be transparent, open to all interested buyers and conducted on a bid basis.

Other suggestions in the sales strategy included:

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[4] The sensitivity analysis examined the likely effects of fluctuations in world market prices for groundnuts and groundnut products; changes in production yields; changes in plant throughput; interest rate fluctuations; and product mix.

[5] The lowest value was based on a constant throughput of 30,000 MT per annum, a discount rate of 22%, and the current product mix consisting of 52% FAQ groundnuts and 48% groundnut oil and cake. The highest value was based on a throughput of 45,000 MT, a 22% discount rate, and production of 100% HPS and machine graded nuts.

[6] The net book value of the core assets transferred to GOPMAC was D173.632 million, and the replacement cost of all equipment, including the river fleet, was calculated at D217 million. However, the liquidation value (the expected proceeds from sale and removal of core assets, mainly processing equipment as a single unit) was much lower, an estimated D17.6 million-- and lower still if liquidated on a piecemeal basis.

The value of land and buildings was estimated by PW/IPG, using figures provided by a local quantity surveyor, at D40.1 million. But this, and the other asset-based values above, would only be relevant in the event that GPMB could not be sold as a going concern.

- using the sale of equity as the preferred method of sale (with all other options considered at the negotiating stage);

- the suggestion for conducting the sale in a transparent open manner, preferably using a bid system open to all interested buyers;

- using cash as the preferred method to finance the acquisition;

- a moratorium (ten years, for example) on the transfer of land.

Based on the above recommendations, GPMB was reconstituted in June 1992 as a limited liability company (The Gambia Oilseeds Processing and Marketing Company - GOPMAC), consisting of the core assets of GPMB: two decortication plants (Kaur and Denton Bridge), two transits, one oil mill, three stores, and seven depots. (for an additional explanation of core and non-core assets, see Annex II)[7] All other assets that had not already been sold were transferred to the Government, along with all liens, encumbrances and debt, of which the long term debt alone amounted to D67 million.[8] Also in line with the above recommendations, the AMSCO team retained managerial control of GPMB for one year after July 1992.

To understand PW/IPG's strategy recommendations and valuation analysis results, it is important to understand the context in which the transaction took place. The next four sub-sections provide a backdrop to the privatization. A timeline at the end of the report (Exhibit 2.2) also summarizes the chain of events leading up to GPMB's privatization.

[7]Initially the river fleet had been operated as a subsidiary, The Gambia River Transport Company. Due to insolvency and the decrepit state of most of the fleet, GRTC was liquidated in March 1991, with the loss of 105 jobs, and its assets were transferred to GPMB and subsequently to GOPMAC. GPMB itself was then liquidated by an Act of Parliament.

[8]The conception of what constituted core assets had undergone a significant change since privatization first began to be discussed, in the mid-1980s. The initial privatization plan prepared in late 1988 called for GPMB initially to sell off all assets not directly related to groundnut purchasing, processing or marketing, and then to divest itself of the oil mill and decorticating plants, not necessarily to the same set of investors. The plan envisaged a residual role for GPMB as a non-commercial government regulatory agency charged with quality control; industrial standards; licensing of groundnut traders, processors and exporters; collection and dissemination of market information; and, producer price stabilization. The proposed producer price stabilization fund and other residual GPMB activities were expected to be financed from a variety of sources, including: revenues from disposal of assets; licensing fees; export taxes; industry taxes; and, government subsidy. (See Annex II for schedule of assets and their disposition)

B. The Gambian Groundnut Sector

The groundnut sector has historically dominated the Gambian economy, accounting for about 85 to 90% of domestic exports. Groundnut exports as a proportion of GDP declined somewhat as world market prices for groundnut products declined, and also as tourism and the re-export trade grew. In 1978, groundnut exports amounted to 28% of total GDP; by 1990, they dropped to about 6%.

When domestic production and sales are included, the groundnut sector accounted for about 7% to 10% of GDP. Groundnuts, by far the most important crop, generally accounted for more than 60% of the total cultivated area and 50% of total crop production in any given year. About 80% of the Gambian population lives in rural areas, and agriculture employed an estimated 75% of the workforce. Groundnuts were produced almost exclusively on small holdings of 1 hectare or less; virtually every farmer in The Gambia produced some groundnuts as a cash crop to supplement subsistence farming. The groundnut sector has historically accounted for between 6% - 8% of public investment (see Annex I for an in-depth description of the country's economy). As such, it appeared farmers would benefit from both the liberalization and privatization of the sector. Liberalization introduced competition to the Gambia's purchasing monopsony and improved producer welfare as a result of higher prices farmers received for their crops. Similarly, privatization introduced new technology for farming methods to increase yields of HPS groundnuts.

The Gambia Produce Marketing Board in the National Economy

The Gambia Produce Marketing Board (GPMB) had its antecedents in the West African Produce Control Board. This board was established by the British during the Second World War to channel groundnuts, palm oil and cocoa from their West African colonies to the U.K. With a monopoly on commodities, it established fixed seasonal producer prices and regulated marketing costs.

In 1949 the West African Produce Control Board ceased operations and distributed £2 million to the newly created Gambia Oilseeds Marketing Board (GOMB) for its initial reserve fund. According to the Gambia Act No. 29 of 1948, GOMB's responsibilities were "to secure for the country the most favorable arrangements for the purchase, grading, transport, export, and sale of oilseeds (groundnuts and palm kernels)." From the 1950s onwards, the company accumulated large reserves, as a result of both a boom in commodity prices and relatively static producer prices.

Subsequently, The Gambia Produce Marketing Board Act of 1973 renamed the Board and substantially enlarged its responsibilities and power, enhancing its already existing monopoly on decorticating and oil pressing as well as groundnut marketing. The 1973 Act empowered the Board to, *inter alia*: function as the sole purchaser, marketer, and exporter of groundnut products; set producer prices and grades of produce to be purchased; appoint buying agents and fix their allowances; borrow on its own account or that of companies under its control; and buy and sell securities and shares in companies.

Along with GPMB's expanded mandate, the Act outlined several obligations. The Government expected GPMB to make loans or grants to the Government; to maintain reserves and stabilization funds, as instructed by the Minister of Finance; and to provide credit to groundnut producers. The statutory changes in GPMB explicitly recognized the role of GPMB revenues in national development and changed the board's status from that of trustee for the country's farmers to that of engine of development for the nation as a whole.

After 1973, national fiscal and development priorities, rather than business interests, guided the Government's policy towards GPMB. This shift coincided with another boom in commodity prices. From 1971 to 1977 world groundnut prices rose 142%, and GPMB trading surpluses and reserves climbed commensurately. While no formula fixing the optimal level of reserves had ever been established, in the mid-1970s the strategy appeared to be one of maximizing reserves. Even as world prices rose, producer prices remained relatively flat; in 1973/74, for example, GPMB could have doubled its producer price and still have generated a profit. By 1978, total reserves had risen to D101.8 million, or about $45 million. Price stabilization reserves, accounting for about half this amount, were by this time held in cash deposits at the Central Bank, the Government having decided to discontinue investments in U.K. and Commonwealth securities.

Through export and payroll taxes, and use of reserves by Government, GPMB contributed an ever-increasing share of Government recurrent revenue, amounting to 45% in 1975 and again in 1978. The Government increasingly turned to GPMB for grants and loans to finance both recurrent and development expenditures. Throughout the 1970s, GPMB accounted for about 30% of total domestic investment.

The Government also directed GPMB to enter into various loss-making financial and production activities. These included cotton ginning, soap making, citrus production and feed milling. Risky lending to the Government and parastatals was also commonplace. A notorious example included a 1977 D3 million loan to Government for Civil Service transport and housing allowances on which the Government never made any interest or principal payments. Finally, GPMB paid a variety of subsidies on Government's behalf; these included:

- *consumer* subsidies on rice, fertilizer and local groundnut oil sales, amounting to D43 million from 1974 to 1983;
- interest on commercial bridging finance obtained by the Central Bank;
- credit in kind to the GCU and the Department of Agriculture for fertilizer and seednuts, never repaid.

GPMB's role as a "cash cow" for Government expenditures was short-lived. By 1979 its liquid reserves had been fully depleted. The oil shocks of the 1970s placed pressure on the government budget and current account balance. This coincided with a slump in the world groundnut prices and a severe drought that halved crop yields. In response to the severe Sahel drought of the mid-1970s aid flows increased dramatically, along with government expenditure. However, as aid flows began to fall in 1979, in both nominal and real terms, the Government's appetite for public spending continued. Faced with tremendous cash shortfalls, the Government resumed its old habit of turning to GPMB for cash. This time there was nothing left in the company coffers.

Declines in world groundnut prices and total groundnut production forced the Gambia to choose between paying high producer price subsidies and allowing farm incomes to drop. This trend coincided with the depletion of GPMB's price stabilization reserves. The Government directed GPMB to subsidize producer prices by the difference between GPMB's "breakeven producer price" and the actual price paid to farmers.[9] Without any remaining reserves, GPMB was forced to borrow from the Central Bank.

In response, donors aimed to reduce Government dependency on GPMB. With support from the World Bank and other donors, The Gambia embarked on an Economic Recovery Program (ERP) in 1985. The next year, USAID and the Government concluded an agreement on a $6-million, 3-year food aid program, which included as a condition for release of the final tranche that the Government announce a plan and schedule for privatization of GPMB.

In 1990, the Program for Sustained Development (PSD) continued groundnut sector reform along the lines of the ERP (see Annex I). Finally, in September 1991, USAID signed an agreement with the Government to provide $9 million in non-project assistance under the Financial and Private Enterprise Support Program (FAPE). One of the conditions for disbursement of the first tranche of $3 million was that GPMB be privatized by December 1993.

Though these donor programs fostered elements of macroeconomic reform, GPMB's financial condition was slow to improve. By 1991, when foreign management began to help stabilize

[9] In the 1977/78 season, for example, when the export price for decorticated nuts was D1068 per ton, the GPMB breakeven price was D403 per ton, and the actual producer price was D402. By 1982/83, the export price for decorticated nuts had fallen to D826, and GPMB's breakeven price had dropped to D270. On the instructions of Government, however, GPMB was obliged to maintain a producer price of D520 per ton, and so incurred losses of D250 on every ton of groundnuts it purchased.

operations in preparation for privatization, GPMB's outstanding domestic debt exceeded D67 million.[10]

The Gambia Cooperative Union

If GPMB exercised a statutory monopoly on purchase and marketing of groundnuts, the Gambian Cooperative Union (GCU) exercised a growing monopoly as a buyer of groundnuts, acting as the intermediary between the farmer and GPMB. In addition, GCU monopolized the supply of farmers' agricultural inputs.

Founded in 1956 as an umbrella organization for local cooperative societies, by the mid-1980s, GCU controlled more than 70 village-based Cooperative Production and Marketing Societies (CPMS). The GCU counted more than 100,000 individual farmers as members.

GCU's privileged status as a quasi-government entity enabled it to use a variety of incentives to force farmers to sell to GCU at least a portion of their crop. The company provided inputs on concessionary terms, a means of ensuring that farmers would sell to GCU in order to guarantee future inputs. In many cases, farmers' debts were forgiven by GCU at the Government's behest. Indeed, the Government and farmers often treated GCU credits as grants. Only 1% of the production and subsistence credits issued by GCU from 1982 through the 1984/85 season had been repaid as of December 1985.[11]

GCU's relaxed approach to loan recovery reflected its financial backing by the Government. The Government directed GPMB on at least one occasion to provide loans to GCU, which never paid them back. Even more significant was the Government's assumption of GCU debts. In 1988, the Government purchased D32 million in debt owed by GCU to The Gambia Commercial and Development Bank (GCDB), and freed GCU from responsibility for its repayment.[12]

In 1986/87, the Government's Economic Recovery Program (ERP) removed agricultural input subsidies and nominally privatized GCU in 1988. However, GCU continued to operate under the Cooperative Societies Act rather than the Commercial Code, and the Government continued treating the company as an instrument of Government agricultural policy. In addition, in 1986, the Government terminated the company's statutory monopoly on fertilizer distribution. Despite the legal change, GCU continued to enjoy financial backing that was

[10] "The Gambia Oilseed Processing and Marketing Company Limited: Information Memorandum," prepared by the National Investment Board and Price Waterhouse International Privatization Group under a contract funded by USAID, 1992.

[11] Christine W. Jones, "The Domestic Groundnut Marketing System in The Gambia," Harvard Institute for International Development - USAID/Banjul, April 9, 1986, p.16.

[12] Glenn E. Langan, "Groundnut Marketing in The Gambia, 1987/88," USAID/Banjul, June 18, 1988, p.13.

unavailable to private traders and retained a complete monopoly on input distribution and a dominant position in groundnut purchasing. Although GCU no longer received funds from the Central Bank, GCDB and Standard Chartered Bank, under pressure from the government, continued to extend GCU credit, enabling it to provide more credit to farmers than private traders.

Donor-funded agricultural assistance projects also reinforced GCU's role as an agricultural input supplier. Under the multi-donor Second Agricultural Development Project (ADP II), GCU received about $4.3 million, of which $1.6 million was earmarked for fertilizer, in the form of a 10-year interest-free loan.

No private trader could compete with GCU on this basis. Furthermore, the buyers' allowances for private traders, fixed by GPMB, provided for minimal profits. These allowances made it impossible for any private trader to assume the risk of marketing agricultural inputs. It also drove many traders out of the business altogether, further consolidating GCU's monopoly.

C. Liberalization of the Groundnut Sector

The imminent privatization of GPMB required re-thinking the Government's role in agricultural policy, beginning with the groundnut sector liberalization in 1990. Government had been involved in each phase of the agricultural production chain, from agricultural input subsidies to consumer price supports. Sector liberalization and the eventual privatization of GPMB necessitated a new brand of agricultural policy.

The process began in the 1989/90 season with the abolition of the old system under which GPMB purchased nuts only from GCU and licensed buying agents and paid a buying allowance to these intermediaries. Starting in 1989/90, GPMB set a uniform price which it would offer to anyone delivering groundnuts to one of its depots. It was then up to GCU, individual farmers, groups of farmers, or private traders to deliver nuts to the GPMB depots. In effect, GPMB would be setting farmgate prices at a level that would enable them to recover their costs and make a profit.

In May 1990 the Ministry of Finance presented to USAID/Banjul a plan for the privatization of GPMB. This plan was grounded in a strategy for overall liberalization of groundnut purchasing and marketing. Key elements of the liberalization strategy sought to:

- encourage greater private sector involvement in groundnut purchasing and marketing as an initial step towards upwards vertical integration into depot operation and management;
- make provisions for ultimate private sector management and ownership of the oil mill after an interim period under a management contract;

- allow large local and, possibly, foreign trading firms to become involved in groundnut marketing as a precursor to downwards vertical integration into operating and managing the decorticating plants and terminal facilities.

The Cabinet approved several measures concerned with the implementation of the above strategy. These aimed to:

- allow interested private sector parties to negotiate with GPMB to use the excess decortication and oil milling capacity during the 1990/91 season, with a view to eventual purchase of the assets;

- offer the Kaur and Denton Bridge decortication plants and adjacent depots for sale by 1991/92, and offering the oil mill for sale by 1992/93;

- spin off The Gambia River Transport Company (GRTC), rehabilitating it, and offering its equipment for sale before the beginning of the 1991/92 season;

- privatize the remaining core assets of GPMB by 1992/93. (A divestment schedule was also proposed --see Exhibit 2.3)

In April 1990, while the 1989/90 trading season was in progress, GPMB lifted its monopoly on groundnut exports. This change in policy merely legalized the already common practice of selling groundnuts across the border into Senegal, something that occurred in large quantities in any year in which the Senegalese price was higher than that offered by GPMB. From 1989-1993, Senegalese prices were consistently higher, largely due to the fact that the Government of Senegal continued to maintain price supports even after the Gambian groundnut sector was liberalized. The policy change occurred too late in the 1989/90 season to enable GCU or private traders to export on a large scale.

The effects of liberalization were felt much more strongly in the 1990/91 season than in the previous year. Elimination of export controls certainly reduced the quantities of groundnuts available to GPMB by making it easier for farmers to sell their produce to Senegal at higher prices.[13] Although this may have been to the detriment of GPMB, it clearly had no adverse

[13]In 1989/90, because of government producer price subsidies in Senegal, Gambian farmers could obtain between D500 and D600 more per ton by selling to Senegalese traders than by selling to GPMB. In addition, Senegalese traders were willing to buy nuts shortly after the beginning of the harvest in early November, while in The Gambia the trading season generally did not begin until well after the harvest, usually in January. Consequently, during the 1989/90 season, of a total harvest of about 130,000 MT, USAID estimated that some 55,000 MT, or 40% of the crop, were sold into Senegal. According to the Ministry of Agriculture, the 1990/91 harvest was significantly smaller than in 1989/90, amounting to less than 75,000 MT. GPMB purchased about 29,000 MT, having offered a depot price of D1,950 per MT. Allowing for normal retention of 20,000 to 30,000 MT by the farmers for domestic consumption and seed, this would leave about 20,000 to 30,000 MT exported to Senegal, by both GCU and private traders.

effect on Gambian farmers and may have increased their incomes. Competition between GPMB and GCU caused producer prices to move higher, as GCU itself became a major exporter of groundnuts, selling an estimated 10,000 MT to Senegal.

During liberalization, GCU used its established relationships with farmers, both as a purchaser of groundnuts and a supplier of inputs, to obtain a significant share of the crop. GCU's established relationships as the principal supplier of inputs, combined with its large fleet of trucks able to cover the entire country, enabled GCU to purchase a large portion of the harvest and to set a farmgate price that most private buyers followed. Moreover, since GPMB would not accept deliveries of less than 5 MT at its depots, a majority of farmers had no choice but to sell to GCU or private traders.[14] In subsequent years, however, the market mechanism appeared to have worked more efficiently. GCU and GPMB, as well as private traders, began competing for the harvest, which narrowed the spread between farmgate and depot prices (see Exhibit 2.4).

D. The Situation at GPMB in 1992

In cooperation with the donors, the Government undertook three successive efforts to restore GPMB to profitability and financial stability, in parallel with the economic reform process. The first effort involved the introduction of performance targets and incentives for GPMB management, while the second and third efforts involved the placement of expatriate technical advisors and line managers in GPMB. Together with these management changes, substantial donor funds were expended on restoring and rehabilitating equipment that had fallen into disrepair.

As a first step in the process of restructuring and ultimately privatizing the parastatal sector, the GOTG introduced *performance contracts* for GPMB and other parastatals. Designed by the National Investment Board (NIB) with World Bank assistance, the performance contracts were intended to force parastatals to operate on commercial lines, and to eliminate the Government interference that had, in many cases, caused their decline. In December 1987, the Government had signed a 3-year performance contract with GPMB. Among the objectives of this contract was the divestiture of operations and assets not directly related to groundnut marketing and processing; these included shares in various parastatals, property investments, and marginal or unprofitable rice and cotton operations.

This first effort did not achieve its intended results. Despite the intentions of the contract, the Government did not allow GPMB the freedom to operate in truly commercial terms. Subsidies

[14]Most groundnut farmers plant between 0.5 and 1.0 hectares each season; with yields ranging from about 1,000 to 3,000 kg/ha, depending on the region and seasonal rainfall, and retention of at least 20% of the crop for seed and domestic consumption, most farmers have only 1-2 MT available to sell each year.

did not end until 1990. In 1988 and 1989, the Government provided producer price subsidies through GPMB in the amounts of D50 million and D13.2 million, respectively. Immediately prior to signing the performance contract, the Government provided a grant of D62.3 million, and then furnished an additional grant of D55 million in 1989.

Cargill Management: A First Attempt at Restructuring

The next measure to restore profitability occurred when Cargill Technical Services (Cargill) was contracted by USAID in November 1990 to assist the Government (and, specifically, the National Investment Board - NIB) in furthering the privatization of GPMB. Cargill's scope of work focussed on evaluating GPMB's performance under the existing performance contract and to recommend next steps in the divestment of GPMB assets. In its review, Cargill noted "inefficiencies in the processing operations, massive overheads, poor transport infrastructure and management indecision." In addition, dilapidated equipment, in particular the decorticators and the river transport fleet, caused major losses to operations.

Following the Cargill's review, the Government, with World Bank backing, moved immediately to contract with Cargill to provide technical assistance to GPMB. The goal was to enable GPMB to run its decorticating facilities for its own account and on a contractual basis for private operators. Rehabilitating GPMB's decortication facilities was considered essential in order to ensure the ability of private operators to export decorticated nuts, without which a fully competitive groundnut sector could not develop. Cargill signed an 8 person-month contract at the end of November, 1990. Phase I of the contract, to be completed by the time the 1991/92 trading season began, involved provision of a plant engineer to oversee maintenance and repairs needed to ensure that groundnuts processed by GPMB would meet international quality standards.

Phase II of the contract provided for Cargill to assign two processing technicians to oversee production planning and to monitor and supervise production, quality control, personnel management, management reporting, technical training, and maintenance and repair planning for the subsequent season. Cargill appointed an engineer, Colin Sayers, who participated in the Phase I appraisal. Sayers had previously noted extensive pilferage of crude oil and nuts; he reported the apparent theft of more than 1,000 tons of oil and 4,500 tons of nuts (worth D22 million), quantities that indicated "that no single person could have acted independently."

As part of the technical assistance contract, GPMB committed to provide information tools, spare parts, and logistical support to the Cargill advisors, but this support failed to materialize. GPMB failed to provide the transport, tools and spare parts guaranteed in the contract. Some observers believed that GPMB deliberately withheld even minimal cooperation to maintain a *de facto* monopoly over groundnut exports and to get rid of foreign oversight as quickly as possible. By early January 1991 it became apparent that the goal of private sector usage of GPMB decorticating facilities was unlikely to be achieved because the equipment was not yet ready, and was unlikely to be made ready in time for the marketing season then beginning. Moreover, potential private sector users remained unconvinced that GPMB would act in good faith and enable them to meet international contracts.

Despite a worse harvest than the previous year, GPMB purchased 29,000 MT in 1990/91. Although less than the optimal level of throughput, this should have generated an operating profit of D11 million; including interest and depreciation, GPMB should have registered a net loss of D6.4 million. The actual results were far worse: an operating profit before interest and depreciation of D3.5 million and a net loss of D18.4 million. Part of this loss was due to continuing theft and stock losses, amounting to more than 4,000 MT, or about D8.5 million for the season.

There were reasons for this poor performance. Indications emerged that machinery at the Denton Bridge plant had been destroyed, either by sabotage or incompetence. Colin Sayers reported in May 1991 that an unauthorized midnight capacity test of the decorticating plant had been conducted by a cotton ginning engineer with no prior groundnut processing experience. This exercise caused several motors to burn out and reduced processing capacity by about 40%. Sayers concluded that "certain elements within GPMB management have every intention to debilitate the Company's trading profitability."

Restructuring Attempt #2: AMSCO at the Helm

Managerial and Financial Restructuring

Concerned with the current situation, the donors urged the Government to appoint a new management team in order to re-establish credibility *vis à vis* groundnut producers. USAID worked closely with the World Bank in structuring the agreement with AMSCO. Funded mainly by Swiss Stabex funds, the contract provided for replacement of existing management with AMSCO-appointed experts.[15] Cargill became a subcontractor to AMSCO, and its operations manager remained at GPMB. AMSCO's main responsibilities under this contract were to:

- take over the executive management of the company;
- prepare the company for privatization by July 31, 1992, with a view towards completing its privatization by May 31, 1993;
- rehabilitate the decorticating plants, oil mill, buying depots, and barge fleet; and,

[15]The cost for this 22-month contract was about $900,000 paid in fees to AMSCO, covering salaries for management and technical experts, plus the cost of providing housing, international and domestic travel expenses, and a car and driver for each expatriate manager. In addition to the Swiss contribution to the cost of the AMSCO contract, the EC provided ECU1.2 million to cover the cost of machinery and related expenses for plant rehabilitation.

- design and implement training programs for Gambian management.

The new AMSCO management made several decisions that would prove costly to GPMB. The 1991 harvest of 84,000 MT was reasonably good, but the price of D1,500 per MT offered by GPMB was far below both the Senegalese price and the GCU farmgate price. As a result, GPMB was able to purchase only 2,200 MT of groundnuts during the season and therefore exported only 1,363 MT of decorticated FAQ nuts. GPMB losses for the fiscal year ending November 30, 1992 amounted to some D15 million, essentially the amount it would have lost had it not operated at all (fixed costs of about D8.5 million and interest costs of about D6.5 million). This was slightly higher than the loss incurred the previous year under the old GPMB management, with a harvest of only 74,500 MT.[16] The preliminary valuation and business review conducted by Price Waterhouse concluded that, "the low price posted by GPMB was a strategic decision which adversely affected the groundnut industry of The Gambia for the 1991/92 crop and the potential value for the sale of GPMB to private sector investors in the future."

The low producer prices set by AMSCO were undoubtedly the result of a bad business decision. But more importantly, it was a symptom of a greater underlying problem: <u>the nature of the incentives built in to their contract</u>. As discussed in Section V, since AMSCO bonuses were based on profitability, there was incentive to keep cost of goods sold (ie, groundnut prices) to a minimum. A better solution might have been to focus on generating positive cash flows by increasing throughput. As subsequent calculations showed, at the world FAQ prices of £235 per MT (equivalent to D3,500) and a producer price of D2,200, GPMB could have purchased 30,000 MT of groundnuts and generated a slight positive cash flow. As the previous season's results showed, without the losses due to pilferage of around D8.5 million, GPMB would have generated positive cash flows of D4 million, although it would have registered a net loss of about D3 million.

Over the course of the 1991/92 season, the GPMB reduced its workforce from 724 to 360 employees. In July 1992 after financial restructuring, GPMB became a joint stock company in which the Government held all the shares.[17] While GPMB retained the core assets, all other assets and all previous GPMB liabilities were transferred to the Government.

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[16] In calculating its producer price, AMSCO failed to consider the potential impact of that decision on farmers' and traders' willingness to supply GPMB. The depot price of D1,500 was slightly higher than that required for GPMB to break even, assuming throughput of 30,000 MT. Had it managed to buy that quantity of nuts at the posted price, GPMB would have lost about D1 million.

[17] After financial restructuring, GPMB changed its name to The Gambia Oilseeds Processing and Marketing Corporation (GOPMAC). The company referred to itself that way until it was privatized one year later, in July 1993. As mentioned in footnote 2, this report will continue to refer to the core assets as "GPMB".

Based on the 1991/92 results, considerable debate emerged as to whether the company should operate during the 1992/93 season. AMSCO management estimated minimum losses of D4.6 million if the company operated; maximum losses from not operating were estimated at D6.6 million. Based on the disastrous results of the previous season, AMSCO management concluded that it had to offer a depot price of D2,200 per MT in order to compete with Senegal.

AMSCO financial projections also showed that GPMB stood to lose money on every ton of groundnuts purchased, assuming no significant increase in international prices. Despite the initial FAQ price increase of 5% in May 1992, at the time when the 1992/93 season's strategy was being developed, FAQ prices subsequently plummeted to their 1991/92 levels. Meanwhile, Senegal announced a significant increase in its price, to about D2,600 per MT. Given these two developments, AMSCO presented the Government with a management plan projecting losses ranging from D3.4 million to D8.8 million depending on the Dalasi-sterling exchange rate.[18]

During the 1992/93 season, low FAQ prices and high Senegalese producer prices exacerbated the situation caused by Gambia's worst harvest ever recorded, an estimated 35,000 MT. By mid-January, GPMB had purchased only 360 MT, and GCU 3,000 MT. A decline in the value of the Dalasi relative to the CFA franc also sharply curtailed cross-border trade. GPMB canceled contracts it had entered into for delivery of groundnut oil. As AMSCO management reported in mid-February 1993, "farmers have...sold minimal quantities to satisfy immediate cash requirements and are retaining the balance for personal consumption, sales at local markets, and for next year's seed. It is evident that even if the price is raised there would be no substantial purchases as the groundnuts are not available."

A meeting of GPMB's Board of Directors on February 1, 1993, agreed to a phased closure of GPMB, with a 65% staff reduction by the end of the month and ultimate retention of only 61 skilled personnel. This would reduce monthly fixed operating expenses from about D600,000 to about D230,000, which would continue until privatization. However, losses for the year amounted to about D9 million, although income from sale of various properties reduced this to D7.5 million.

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[18]The assumptions of the plan included:

a) a total purchase of 32,000 MT;

b) substantial economies arising from the rehabilitation work on the Denton Bridge and Kaur mills and the river fleet, combined with further staff reductions, all of which were to be completed before the start of the season;

c) a joint crop financing arrangement with GCU, resulting in a lower interest rate; and,

d) cooperation with GCU in purchasing and marketing of groundnuts and groundnut products, allowing a depot price of D2,000 versus an estimated D2,150 if the potential GPMB investor had to compete with GCU.

Equipment Rehabilitation

AMSCO carried out the EC-funded rehabilitation work which included: restoration of the two decortication plants and the oil mill and rehabilitation of the river transport fleet and wharves.[19]

AMSCO stated in its terminal report of August 5, 1993, that this work had been completed, noting that "if the new owner continues to adopt the existing processing technology and follows a normal preventive maintenance schedule there should be no need for major investments in replacement parts for the next two years or 100,000 tons of processed material." The report estimated that average processing rates of 80 to 85% of installed capacity could be achieved, as compared to the 19% prevailing at the end of 1991.

By AMSCO's own account, all existing equipment in the oil mill was completely rebuilt. However, the existing crushing equipment relied on the expeller method, as opposed to the more efficient extraction method. This resulted in an important loss of oil -- about 7% of the crude was left in residual cake. Consequently, installing extraction equipment to recover the oil lost in crushing appeared to be the only way for GPMB to make a profit on crude oil exports. In addition, the quality of refined oil was not high enough for export markets.

For this reason, GPMB generated a negative net margin on crude oil exports, although it made a profit refining oil for the domestic market. The domestic market, however, was small, and subject to competition from imports, which were often cheaper.

E. Solicitation and Evaluation of Bids

PW/IPG's recommended a single-phased bid. In cooperation with the National Investment Board (NIB), PW/IPG also prepared an Information Memorandum for distribution to potential investors. Advertisements were placed in *The Economist*, *The Financial Times*, *The International Herald Tribune*, and *The Public Ledger's Commodity Week* during the second week of October 1992. By the end of December 1992, 112 copies of the Information Memorandum had been widely distributed; in addition to local individuals and companies and respondents to the advertisements, 11 such copies were sent to unsolicited potential investors

[19] Among the major rehabilitation activities reported by AMSCO were:

a) complete rebuilding of all 7 decorticators at the Denton Bridge plant;
b) partial rebuilding of the 4 machine graders at Denton Bridge;
c) rebuilding of 10 HPS lines at Denton Bridge;
d) complete overhaul of the Denton Bridge oil mill;
e) full rehabilitation of all 13 decorticators at the Kaur plant;
f) overhaul of two of the three tugboats and 23 barges; and,
g) rebuilding of the main wharf at Denton Bridge.

identified by PW/IPG; these included such companies as Archer Daniels Midland, Cargill, and Unilever (see Annex IV for complete list).

The bid solicitation placed a 10-year moratorium on the transfer of land and a requirement that prior Government approval be obtained for any such transfer. This would reduce the risk of attracting bidders whose objective it was to liquidate the company. Bidders were also required to present a detailed business and investment plan as part of their proposal. This was to ensure the GOTG that the new investor would not jeopardize the important socio-economic function that GPMB served.

After the solicitation period, USAID and PW/IPG proposed that they continue to advise the NIB on the evaluation and selection of bids; however, this proposal was rejected. The bid evaluation and selection process was managed by a Task Force chaired by the Chief Executive of the National Investment Board.[20] Bids were evaluated according to criteria initially established by PW/IPG. These included:

- the extent to which the bidder's core business was related to groundnut/oilseed sector processing, marketing or trading;
- confirmation of the bidder's intention to continue to operate the groundnut processing facilities in The Gambia;
- financial stability and resources of the offeror;
- offerors' ability to bring technical, managerial and commercial resources to the company; and,
- participation by Gambian interests in ownership and/or management.

The original deadline for submission of bids was December 15, 1992. Since only three bids had been received by that point, the deadline was extended three times. Five bids, from the following companies, were finally received before the final deadline of April 30, 1993:

- ABCO Ltd./YM Trading, a Sierra Leone/Israeli consortium offering $1.8 million (about D16.5 million);
- A consortium led by Carl Zeiss (Germany) and Geo-Astor, a Swiss trading company, and also including a U.S. instrument company and a Croatian agricultural cooperative, offering a purchase price of D17.6 million ($1.9 million) and pledging $4 million in future investment;

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[20] The Task Force also included representatives of the Ministry of Finance, the Ministry of Trade and Industry, and the Office of the President, as well as other NIB staff.

- Alseka, a Gambian/Zairean group offering D11.5 million ($1.24 million);

- A joint venture between Alimenta S.A., one of the world's largest groundnut marketing and processing companies, and GCU offering D10 million ($1.08 million);

- Cross-Ocean Investment, a Dutch group offering $5.1 million .

The technical proposals and financial proposals were evaluated separately. Despite the high price offered by Cross-Ocean, their proposal was not believed to be a serious one and was rejected, as was the ABCO bid. The selection then narrowed to a short list of Geo Astor/Zeiss, GCU/Alimenta, and Alseka, ranked in that order.

On May 25th 1993, at a subsequent meeting attended by representatives of the three shortlisted bidders, the Task Force ranked and evaluated bids. The Task Force interviewed each bidder's representative separately, giving them the opportunity to clarify terms and conditions of their proposal. Although neither Geo Astor/Zeiss nor Alseka substantially changed the terms of their bid, the GCU/Alimenta consortium did so twice. According to the minutes of that meeting (see Annex III), GCU/Alimenta first raised its offer from D10 million ($1.08 million) to D15 million ($1.62 million) and pledged at least $5 million in future investment in the groundnut sector. After further discussion, GCU/Alimenta raised its bid to D20 million ($2.16 million). In the final ranking, of a possible 400 points (280 technical and 120 financial), GCU/Alimenta came first with 320 points, followed by Geo Astor/Zeiss with 299.5 and Alseka with 200. The Task Force recommended to Cabinet that GCU/Alimenta be invited to negotiate final contract terms. Negotiations began on June 21, Cabinet approved the contract on July 20, and the final sales agreement was signed on July 28, 1993.

F. Alimenta: Its Background and Strategy

Alimenta SA, an agro-business concern, was founded in 1967 in Geneva. The company's principal activities center around the processing and trading of oilseed products such as groundnuts, oils and feedstuffs. Alimenta's affiliate offices were located throughout the US, Europe and the Middle East.

By the time Alimenta bid on GPMB, it had already established a significant presence in Africa. In 1979, the company entered into a joint-venture (in which Alimenta owned 49%) with the Government of Sudan to operate the Sudan Oilseeds Processing Company (SOPC). The plant possessed a 1000 MT/day production capacity and was equipped with modern American groundnut shelling and sorting equipment, corresponding with Alimenta's objectives of technology transfer.

Alimenta also established a presence in Senegal, where, in collaboration with SONACOS (the national groundnut producer) and state-owned industrial groups, a local company operated a shelling and sorting plant for the production of confectionery groundnuts. The Senegalese company was also responsible for managing and assisting farmers to grow groundnuts for confectionery use. Finally, Alimenta was familiar with GPMB's financial and operational condition since the Swiss company had long been an importer of GPMB's decorticated nuts.

Alimenta was therefore well-placed to bid on GPMB. In the business plan submitted with its bid, Alimenta highlighted the objectives of its medium and long-term strategy:

- *Production*: Increased yields at farmgate, improved groundnut quality, increased farmer revenues;

- *Processing*: Increased yields, reduced processing costs, production of a top-quality product acceptable to the European consumer; and

- *The Introduction of a Value-Added Product: HPS* -- increased yields of confectionery groundnuts which would be accepted in European markets and would compete with Chinese, Argentinean, and American varieties.

Alimenta's business plan also pointed out that in its worldwide operations the company "buys its raw materials directly from farmers through a network of buying points owned and operated by Alimenta." Although in the Gambia the GCU would provide the necessary synergies to meet this goal, the question arose as to whether Alimenta had the intention of eventually owning and operating its own the buying points in the Gambia.

It is almost certain that the involvement of GCU in the Alimenta bid, if not a decisive factor, contributed significantly to the selection of Alimenta. PW/IPG's valuation and limited business review recommended a Gambian/foreign joint venture as the optimal configuration for privatizing GPMB, and specifically mentioned GCU as an ideal candidate as a local partner. In PW/IPG's view at the time the transaction was completed, "through their knowledge of in-country operations, the local investors can maximize operations - river fleet, interior depots, etc. - for revenue producing activities." The foreign investors, for their part, would provide technical and marketing capability as well as capital to the venture.

III. Post-Privatization Performance

A number of factors adversely affected post-privatization performance including technical problems with existing equipment, as well as a collapse of the GCU-Alimenta partnership. Furthermore, Alimenta, which took possession of GPMB in July 1993, reported that the plant appeared not to have been properly maintained for several years. According to the EC representative in Banjul, some three-fourths of the European Development Fund (EDF) funds, or ECU850,000, had been spent on international procurement of parts and equipment. But, in the words of the new Managing Director, "It is hard to find evidence of how the EDF funds were spent."

Alimenta's original plan had been to press oil during the 1993/94 season; however, in their judgement the oil mill was in very bad condition and did not appear to have been rehabilitated. The two tugboats repaired under the AMSCO contract were "barely operable," while only 16 of the barges were usable, but nonetheless required further repairs. .The decorticators, although functioning, caused extensive damage to the groundnuts, reducing the proportion of nuts that could be sold as HPS. Prior to beginning its purchasing and processing season, the new Gambia Groundnuts Corporation (GGC) invested some D30 million to replace the decorticators at Denton Bridge, to install new sorting and machine selection equipment, and to buy 8 new motorized barges and repair 16 existing unmotorized barges required to transport the 1993 crop.

The Collapse of the Joint Venture

The agreement between Alimenta and GCU had never been formalized in writing, nor had the joint Alimenta/GCU bid indicated the proposed capital structure of the new company, although it was clear that Alimenta was to have a majority share of the equity of the GGC. By the beginning of the 1993/94 harvest, relations between the two companies deteriorated to a point where, instead of collaborating, they competed with each other.

The absence of any legal or contractual agreement between GCU and Alimenta made it difficult to determine the exact cause of the rupture in relations. A major source of conflict probably resulted from disputes over crop financing. Although GGC had apparently agreed in principle to assist GCU in financing its groundnut procurement, this agreement was conditional on GCU's overall financial stability. GCU's financial position, already shaky, further declined during 1993.

Prior to the beginning of the 1993/94 season, GCU's outstanding debt exceeded D40 million. Two of its largest creditors included Standard Chartered Bank, from which GCU had taken out a D20 million ($2.16 million) loan to import rice, and the Assets Management Recovery Corporation (AMRC), a parastatal organization to which GCU owed more than D40 million ($4.32 million). The Government continued to pressure both Standard Chartered Bank (SCB) and the Social Security and Housing Finance Corporation (SSHFC) to extend credit to GCU during the 1993/94 season. The two institutions lent a combined D16 million to GCU, thereby facilitating the purchase of 8,000 MT on cash terms (at the price of D2,000 per MT). However, because of its cash shortfall, GCU needed to obtain agreements from farmers to supply the remaining 13,000 MT on credit.[21]

Under these conditions, Alimenta refused to assist GCU in financing its crop purchase, while GCU insisted that Alimenta had pledged to provide at least D10 million prior to the beginning of the trading season, with no conditions attached. In addition to having little cash with which to buy the crop, the GCU lacked the funds to purchase its share of the equity in GGC. Well before the groundnut trading season began in December 1993, Alimenta informed both GCU and the Government that GCU no longer had an option to buy its share of the new company.

The rupture between GCU and Alimenta may, paradoxically, have helped Gambian farmers during the 1993/94 season by intensifying competition for the crop and raising producer prices. GGC announced a buying price of D2,000 per MT for nuts separated by variety and D1,800 for mixed groundnuts. In addition, GGC offered a D100 per MT premium for nuts delivered to Denton Bridge instead of one of its up-country depots. GCU announced a flat buying price of D2,000, but then in mid-January GGC increased its prices by D200 per MT, thus equaling GCU's price for mixed nuts and exceeding it for separated nuts. GGC and GCU each ended up purchasing about 21,000 MT of groundnuts, almost entirely from private traders or directly from farmers. GCU sold only 700 MT to GGC.

Operating Results: GGC's First Year

As anticipated in its business plan, which did not project a profit until the fourth year of operation, GGC registered a loss during its first operating season (1993/94). Although GGC did not divulge the size of its loss, a rough calculation based on PW/IPG's sensitivity analyses points to an operating profit of around D5 to 6 million, and a loss after interest and depreciation of D5 to 7 million.

The company may nonetheless have generated positive cash flows from its first year of private operation. Since GPMB's assets were transferred to the new owners at their net book value, Alimenta incurred substantial annual depreciation charges far in excess of what they would have been if the assets had been revalued at the price paid by Alimenta. As PW/IPG pointed out, this "results in a substantial depreciation charge which is an inducement to investors to generate cash from operations without necessarily incurring a tax charge. This is

[21] GCU hoped to bridge the shortfall by reaching an agreement with SONACOS, the Senegalese groundnuts company. GCU would supply 20,000 MT of nuts to Senegal at a price equivalent to D2,300 per MT, payable in U.S. dollars so that the Senegalese could avoid the effects of an anticipated 50% devaluation of the CFA franc (which occurred in January 1994). Following the devaluation, the Gambian producer price exceeded the Senegalese price, in local currency terms, and there were reports of significant quantities of Senegalese nuts being sold to private Gambian traders, who sold them in turn to GGC.

identical to providing a tax holiday where the government would not expect any tax revenues in the initial years of an investment."

As discussed above, the new management of GGC invested about D30 million in new processing and transport equipment. Its future plans included possible upgrading of the oil mill and rehabilitation of the power cogeneration plant, which operated on groundnut shells. The estimated cost of the latter project was approximately $1 million. Not only would the co-generator make GGC totally self-sufficient in electricity, with a surplus available for sale to the electric utility at a profit, it would substantially reduce fuel costs and provide for disposal of a waste product (shells).

GGC also improved seed varieties planted in the Gambia, as well as farming techniques. The company set up model farms to demonstrate the new methods, and selected individual farmers to demonstrate the techniques to the rest of the community. GGC's efforts to get farmers to sort their nuts by variety was based on their goal of selecting the best available nuts and reserving them for seed for the next year's crop. It was anticipated that plant geneticists working in Alimenta's US and European operations would also help to improve and select seed varieties best-suited to Gambian conditions. HPS accounted for 25% of production in GGC's first year (the other 75% being FAQ). Although an improvement over the previous year, this percentage fell short of Alimenta's long term goal of 35% of the product mix being HPS.

IV. Results of the Privatization

It is too early to assess the long-term effects of privatization of GPMB. The 1993/94 harvest was better than the previous year's but still low, at an estimated 64,000 MT. Relations between GGC and GCU had completely broken before the trading season began.

A. Competitive Effects

The results of the most recent trading season raised questions as to whether Alimenta had indeed planned to exclude GCU from its operation. If the relationship between the joint-venture partners had not soured, Alimenta and GCU would have achieved synergies that led to better financial results for GGC. Based on a forecast presented by AMSCO's General Manager prior to the 1992/93 season, an alliance would benefit both Alimenta and GCU as a result of lower input prices derived from the elimination of a middleman.[22] For this reason, and because Alimenta could not have foreseen all the events leading to the ruptured partnership, a premeditated dumping of GCU appeared unlikely.

GCU's survival was far from assured. The favorable deal with SONACOS, the national groundnuts company of Senegal, resulted from SONACOS' inability to fulfill contracts it had signed, thus forcing it to pay nearly any price to meet its obligations. For GCU, there was no guarantee that a similar situation would arise the following season.[23] This proved true given the subsequent 1994 devaluation of the CFA franc, which made Gambian exports to Senegal more expensive. As a result, the flow of groundnuts began to reverse in 1994: there were reports that a significant amount of Senegalese groundnuts were being sold in the Gambia. Furthermore, the same year it appeared that the Government of Senegal was moving forward with its plans to liberalize/privatize the groundnuts sector. This policy would also result in lower Senegalese groundnut prices, potentially benefitting Gambian groundnut purchasers.

Although GGC and GCU could continue to compete on producer prices, GCU was limited by its financial resources. Given GCU's cash position, it could once again be pressured to ask the farmers to sell their crop on credit. In contrast, GGC's reserves allowed it to pay farmers in cash.

[22] The spread between the farm price and the depot price would disappear, since GCU, rather than depending on this spread for its profit, would share in Alimenta's (GPMB's) profits. GPMB, for its part, would benefit from a lower price for delivered nuts, while the price to farmers would remain unchanged. According to AMSCO's projections, this arrangement could result in savings of D150 per MT: a price of D2,000 as opposed to D2,150 under competitive conditions. This would translate into increased profits (or reduced losses) of about D1.8 million. It would also, according to AMSCO, raise the breakeven producer price by about D60 per MT, thus benefiting farmers should that difference be passed along to them.

[23] There were indications that Senegal would abandon its practice of subsidizing producer prices in the groundnut sector. Such a development would have beneficial effects on Alimenta's/GCU's ability to obtain groundnuts.

There was a concern that if GCU went under, GGC would remain without competition. However, the fear of replacing a public sector monopoly with a private one did not appear to be warranted during the first year. As long as Gambian farmers were free to sell their crop to anyone whom they chose, inside or outside the Gambia (eg, as long as Senegal continued to subsidize producer prices), GGC would be unable to dictate producer prices. The company would have to offer a competitive price, as well as compete to provide better service (eg, inputs) than farmers could get from Senegal. There were indications that GGC was moving in the direction of providing extension services and improved inputs to farmers, in the form of treated seednuts and development of varieties of seed better-suited to local conditions.

B. Investment

Before the start of the 1993/94 season, GGC replaced almost all of the existing shelling machinery at Denton Bridge and upgraded the river transport fleet, with the purchase of 8 motorized barges and the repair of 16 non-motorized barges. Plans for the following year included rehabilitation of the co-generation plant, which would serve all power needs at the Denton Bridge site and would generate a substantial surplus that could be sold to the power company, MSG. The company also established one farm, with plans to set up 2 or 3 more, to serve as a model for Gambian farmers.

Though a full evaluation of the results of these investments is not possible at this time, it is possible to draw some positive conclusions:

- The level of investment undertaken was evidence of a serious commitment on the part of Alimenta. Management spoke in terms of a 15-year horizon. GGC's commitment, in line with its own profit objectives, involved substantial improvements in farm and factory productivity;

- The improved decorticators caused less damage to the kernels and so increase the proportion that would be sold as HPS quality as opposed to the less profitable FAQ. Computer-controlled sorting equipment also improved the proportion of higher quality nuts produced. During the 1993/94 season, roughly one-fourth of production was exported as HPS. GGC's goal was eventually to have HPS account for one third or more of its product mix.

C. Social Safety Net Issues

The welfare of Gambian farmers and their communities was the paramount social issue involved in privatization of GPMB. As indicated above, the new industry structure seemed to benefit the farmers. Liberalization of the industry in 1990 caused producer prices to rise as GPMB and GCU competed both with each other and with Senegal. Rural incomes rose as a result. The initial impact of privatization also benefitted farmers[24]. As previously mentioned, it was in GGC's interest to ensure its access to adequate quantities of groundnuts, and it could do so only by improving the lot of local farmers.[25] GGC had already begun a number of activities aimed at accomplishing this, and there was every reason to believe that they would continue to expand them. The activities included:

- Paying a competitive price to farmers;
- paying cash on delivery;
- getting Alimenta plant geneticists in the U.S. to research and develop seed varieties appropriate to Gambian growing conditions;
- using new seed varieties, seed treatment, and extension services to increase yields and quality, thus increasing farmers' income;
- improving plant equipment and machinery to increase HPS yields, thus enabling the company to pay competitive producer prices; and,
- providing agricultural credit to farmers adopting new methods.

In addition to producer welfare, there was the question of the welfare of GPMB's employees. Upon the sale of GPMB, on July 31 1993, AMSCO management laid off 360 employees. Some D1.6 million ($172,000) was incurred as a redundancy cost. This consisted mainly of payment of social security contributions to the Social Security and housing Finance Corporation for employees with less than five years' accumulated service, so that they could become eligible to receive the amount initially paid in. No other provisions were made.

Not all of the 360 jobs were lost, however. In its first year of operation, GGC employed 100 permanent staff, and an additional 300 during the trading and processing season, typically from January until June. Furthermore, GGC made efforts to hire former GPMB employees as seasonal laborers. In addition, it was estimated that operation of the oil mill, if it occurred, would require 50 to 55 additional full-time workers, many of whom were former GPMB employees.

[24] The devaluation of Senegal's CFA franc, and the possible end of Senegalese producer price subsidies, raises questions about how Gambian producer incomes might be affected if Gambia were to become a net importer of groundnuts from Senegal.

[25] The PW/IPG valuation projected the profitability of GPMB operations based on various levels of production. These projections showed that if it produced 35% HPS and 65% FAQ, the company needed to purchase at least 40,000 MT per year to generate a modest profit. Profits would increase dramatically as tonnage rose above 40,000.

V. Lessons Learned from the Privatization Transaction

A. Lessons Learned from GPMB Restructuring

Restructuring Prior to Privatization

Implicit in the application of privatization is the conviction that owners make better managers than either government bureaucrats or technical advisors, who have little equity in a company. It is therefore critical to ask, "should restructuring take place, and under what circumstances?"

The two-year restructuring of GPMB was costly and its results uncertain. The delay in privatization and the successive losses, combined with poor harvests, almost certainly reduced the price the Government received for GPMB's assets. Combined 1992 and 1993 losses cost the Government close to D25 million. Additionally, donor funds that were spent on GPMB could have been used elsewhere.

On the other hand, it was widely agreed that failure to operate GPMB during the transitional period would have had a negative effect on investor interest and could have reduced the price for which it could have been sold, assuming a buyer could have been found. It may not have been feasible to privatize GPMB any faster than was actually done, given the need to resolve issues of divestiture of non-core assets and responsibility for outstanding liabilities. Furthermore, the level of pilferage was such that a strong case existed for supporting the replacement of the management. Thus, some form of operation under a temporary management contract may have been the sole option.

The Restructuring Process

The risks of a management contract such as the one with AMSCO were in fact very similar to those of state-owned enterprises in general. In both cases, management had few incentives to succeed and no penalty for failure. A management contract may even provide less accountability than is the case for managers of parastatals in general, who at least risk loss of their jobs if their performance is judged inadequate.

But the results of the 1992/93 season, as the worst on record, cannot be blamed solely on AMSCO. The previous season's results were directly attributable to AMSCO and to the incentives built into that particular contract. As previously discussed, had GPMB matched the Senegalese producer price it would have generated a small positive cash flow and a positive contribution to coverage of fixed costs. The incentives built into AMSCO's contract, however, precluded such an outcome, since they included a bonus equal to 20% of GPMB's before-tax profit up to the profit levels forecast in the business plan and 30% of profits in excess of those levels.

As a result of this incentive, AMSCO had every reason to set a producer price which would maximize its profit, assuming anyone would sell groundnuts at that price. For AMSCO, there was no negative risk; if they failed to turn a profit they still earned substantial management fees.

In contrast, an owner with a long term stake in the company, or a management lessee with an interest in acquiring ownership, would be at least as concerned with minimizing losses as with maximizing profits. A compensation arrangement should be structured that would provide the management with the maximum incentive to operate the company successfully, which may include, without being limited to, potential concessions on the ultimate purchase price. Only under the most exceptional circumstances should any investment program be undertaken under the supervision of a management team, for the reasons outlined above. The cost to an owner of failing to set a high enough purchasing price to enable it to acquire a sufficient quantity of groundnuts is obvious. For an owner or operator with a long-term interest in the business, maintaining positive cash flows is more important than generating a paper profit.

Moreover, AMSCO's mandate did not include a business strategy, thereby eliminating any potential for long-term involvement. Engaged in a holding action, the AMSCO team tried to avert total collapse rather than developing and pursuing a coherent strategy aimed at restoring GPMB to profitability. It is therefore unsurprising that losses increased under AMSCO stewardship.

It is also unsurprising that rehabilitation of the oil mill was poorly conceived and probably unsuited to any future requirements of GGC. As the less-costly rehabilitation of the decortication machinery demonstrated, the new owners had a business plan and vision that called for different kinds of equipment. It is likely that resources would have been allocated more efficiently if the company were sold on an as-is basis, with the new owners designing their own capital investment program.

B. Achieving Transparency

Parameters of Transparency

The privatization of GPMB was perceived by many as a corrupt transaction, in which a foreign company and a small group of Gambian insiders were allowed to profit at the country's expense. This perception primarily resulted from the absence of transparency accompanying the privatization program. It is important, particularly with a company so critical to the national economy, for the privatization process to be publicized and explained, both to those directly involved (employees, farmers) and to the general population. Typically such campaigns target a variety of groups potentially affected by privatization in general and by the privatization of individual companies. These efforts range from seminars and workshops for employees of individual enterprises to nationwide publicity campaigns, all of them aimed at increasing acceptance of privatization. In doing so, a dynamic for change can be created -- one in which the privatization process is not perceived as just another scheme for benefitting multinational companies or an "insider" privileged elite.

Because the net book value of assets (D170 million) greatly exceeded the sale price (D20 million), the sale provoked perceptions that Alimenta paid off Government officials in order to acquire the company for a fraction of its true value. The real value of GPMB's core assets was nowhere near its stated book value, and the country would have been better served had that figure never been released.[26]

It is also probable that confidential information was leaked. One of the initial bids offered a price of D17.6 million, the exact liquidation value established by PW. Alimenta, initially offered the *lowest* purchase price of the five original bidders. Of the five initial bidders, three were shortlisted, with Alimenta ranked second. However, Alimenta and GCU were twice given the opportunity to revise their offering price, ultimately proposing a total price and a payment schedule that in net present value terms exceeded the former first-place bid by D120,000 (see Exhibit 2.1). The fact that Alimenta was twice given opportunities to revise its offering, without corresponding revisions from the other four companies, raises questions about the parity of the privatization process.

An Opaque Bid Evaluation Process

It is believed that the National Investment Board (NIB) lacked the skills or experience to conduct a proper evaluation, and encountered difficulties in negotiating with potential purchasers. The quality and detail of bid submissions was poor; business and investment plans were so vague as to be meaningless, while information on capital structure, sources of financing, and operating and financial projections was either absent or sketchy. A more skilled evaluation team would certainly have requested further detail on these points.

It was also known that donors substantially pressured the Government to sell GPMB according to a fixed timetable. As a result, all potential bidders knew that they could offer a lower price than would have been the case if the Government had the option not to sell.

Furthermore, accusations surfaced about bribery and influence-pedalling between bidders and NIB officials. Irrespective of the allegations, the involvement of a disinterested third party either in selection of the winning bid or in negotiation of the purchase price, would have convinced most people, including parties to the transaction and the general public, that the deal was concluded fairly and honestly.

[26] The price Alimenta actually paid actually fell within the PW/IPG recommended range of values: D17.6 to D43.6 million (see Exhibit 2.1).

For example, it seemed likely that the evaluation process favored the Alimenta/GCU bid and that the process gave them every chance to succeed. One clear reason for preferring the GCU/Alimenta bid was the involvement of GCU. The Government saw this as a way to retain some influence over the newly-privatized company. After all, GCU, though nominally private, was highly dependent on Government for its survival. Furthermore, one would expect the evaluation committee to question GCU's ability to purchase its share of the equity in the new company, since it was heavily indebted to the commercial banks and the Asset Management Recovery Corporation, and had pledged all of its assets as collateral.

In the absence of a formal legal agreement between GCU and Alimenta, it is also reasonable to ask what Alimenta's intentions were with respect to GCU's participation in the venture. Many observers assumed that Alimenta included GCU in its bid as a means of improving its chances of winning, but that it never had any intention of involving GCU in the new company. The inability of GCU to purchase its shares, and its subsequent exclusion from any role in the management of the new company, further contributed to the perception of flaws in the transaction. For this reason, the process would have benefitted by having a formal contractual agreement between the two partners. The contract would have held one or both parties legally responsible for the joint-venture breakdown, thereby helping to rectify existing speculation about corporate plots and hidden agendas.

The issue was further muddied by the departure on indefinite leave of the former general manager of GCU due to allegations of misappropriation of funds. Although the charges were unrelated to the Alimenta transaction, suspicions continued regarding financial improprieties within GCU.

C. Donor Involvement: Economic Reform and Privatization

Upstream Intervention

The donors unquestionably succeeded in creating an enabling economic environment for GPMB's privatization. Backed by the World Bank and other donors, GOTG implemented programs such as Economic Recovery Program and the Program for Sustained Development which provided the enabling macroeconomic environment for GPMB's privatization. Within this context, USAID twice made privatization a conditionality for the release of financial aid; first in 1986 with a food aid program, then in 1990 with the Financial and Private Enterprise Funds. In response, in 1990, the Government liberalized the groundnut sector and presented USAID with a plan for GPMB's privatization.

An upstream area in which donors could have been more involved was the strengthening of public information mechanisms. By encouraging broad-based public support, donors could have helped mitigate public perceptions of an opaque privatization process.

Downstream Intervention

With regard to donor intervention in downstream privatization activities, were donor funds used effectively? The question first arises concerning GPMB's management restructuring. The preceding sections suggest the answer is no. The management contracts developed for AMSCO created perverse incentives and were ineffective in achieving restructuring objectives. The contract structure seemingly did more to destroy value than to create it.

Although the USAID-funded valuation and business review exercise provided useful assistance for the privatization preparation, it did not redress the accountability and transparency problems which occurred throughout the process, particularly during the bid evaluation and negotiation phases. In these areas, donor funds would have been well spent: (i) training and building the capacity of NIB and the Task Force to evaluate bids; and (ii) ensuring that transparent legal agreements were made between both GCU and Alimenta and, later, GGC and the Government. In retrospect, the implementation of these upstream and downstream donor interventions might have helped pre-empt suspicions that pervaded GPMB's privatization process: beginning with its operational restructuring and culminating with its negotiation.

VI. Epilogue: A Call for the Renationalization of GPMB?

Approximately sixteen months after the privatization of GPMB, a letter from the Permanent Secretary of the Ministry of Finance was sent to the Chief Operating Officer (COO) of the GGC. Upon opening the letter, the COO was surprised to read that the Government threatened to cancel the terms of the sales agreement upon which the former GPMB was legally privatized. The Government apparently threatened to put the GGC up for re-bidding; it was displeased not only with the terms and price of the sale, but with GGC's reluctance to infuse its former joint-venture partner, the bankrupt GCU, with cash. GGC officials quickly responded by meeting with the Ministry of Finance. During their talks, the Ministry told the company that the Government would shortly be sending GGC a letter of grievances, detailing the terms under which the sales agreement would possibly be rescinded.

CASE STUDY EXHIBITS

Exhibit 2.1a

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Summary of PW Valuation Results for GPMB

Valuation Method	Dalasais	US Dollars
Discounted Cash Flow*	D 43.69 m	$ 4.85 m
Replacement Value	D 216.92 m	$ 24.10 m
Liquidation Value (as a unit)	D 17.64 m	$ 1.96 m
Liquidation Value (piecemeal)	D 17.64 m	$ 1.96 m

The highlighted DCF value was at the high-end of the PW recommended range. The value assumes an annual throughput of 45,000 nuts, 35% of which HPS, using a discount rate of 25%.

Exhibit 2.1b

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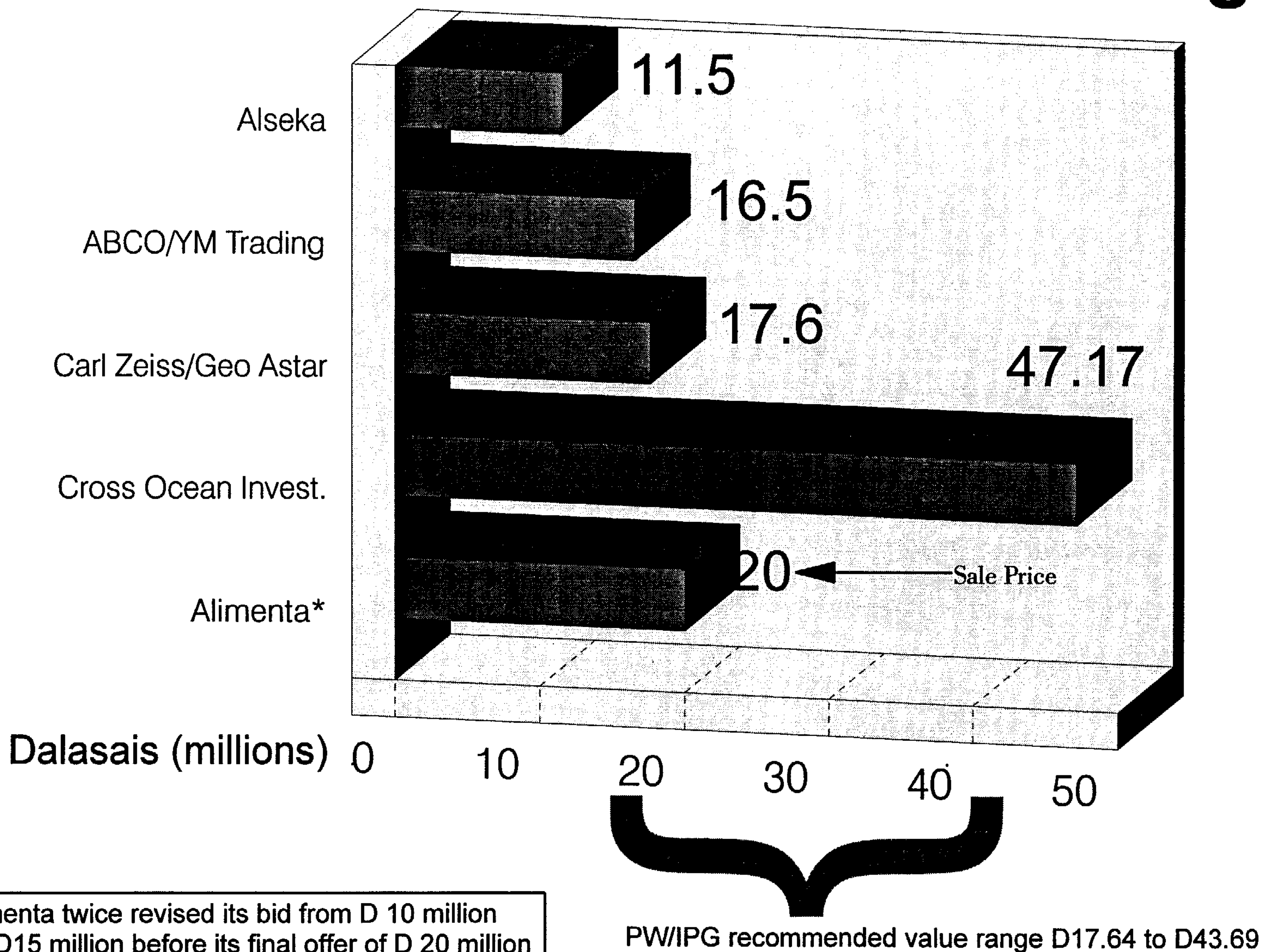
GPMB Bids and Recommended Value Range



*Alimenta twice revised its bid from D 10 million and D15 million before its final offer of D 20 million was accepted as the sale price

Events Leading to GPMB's Privatization

Exhibit 2.2

Privatization Events

1973 | 1987 | 1990 | 1991 | 1992 | 1993 | 1994

1973: GPMB is created

1987: Three year performance contract signed between GOTG and GPMB.

1990:
CTS provides technical assistance for 1990/91 season

GCU nominally privatized

May: Ministry of Finance presents USAID with privatization plan

1991:
AMSCO takes over from CTS; provides management for 1991/92 season

GRTC liquidated, assets sold

1992:
June: PW/IPG retained to do business review and valuation of GPMB
July: GPMB becomes GOPMAC, core assets transferred, GOTG assumes debt
August: GOTG accepts PW/IPG's recommendation for sale of core assets as going concern
December: Information memorandum released for sale of core assets

1993:
July: Alimenta buys GOPMAC in joint venture with GCU, new company named GGC.
December: GCU unable to finance crop purchases, Alimenta ends joint venture

1994: For the 1993/94 season, GGC has negative financial results (undisclosed). Expects profit after fourth year.

Economic Events

1979 | 1985 | 1986 | 1990 | 1991 | Jan. 1994

1979: World groundnut oil prices in a slump. GPMB reserves depleted

1985: World Bank-sponsored Economic Recovery Plan(ERP) begins

1986:
USAID makes privatization a conditionality for release of food assistance

GCU's monopoly on fertilizer distribution ends

1990:
Liberalization of the Gambian groundnuts sector

World Bank Program for Sustained Development begins

1991: Under FAPE Program, USAID makes privatization of GPMB by Dec. 1993 a conditionality

Jan. 1994: Devaluation of FCFA reverses flow of groundout trade between Gambia and Senegal

Exhibit 2.3 Divestment Schedule for GPMB - 1990

ACTION	YEAR
Privatize Rice Mill	1989-90
Privatize Cotton Ginnery	1989-90
Rehabilitate GRTC	1989-91
Negotiate GRTC-GPMB Contract	1990-91
Negotiate Oil Mill Management Contract	1990-91
Privatize GRTC	1991-92
Divest GPMB depots	1992-93
Divest GPMB decorticating plants	1992-93
Divest Oil Mill	1992-93

Source: *Ministry of Finance*

Exhibit 2.4 Producer Prices for Groundnuts, 1985-1994

(Dalasis per metric ton)

	THE GAMBIA*		SENEGAL**
	Farm gate	Depot***	Depot equivalent
1985	620	675	n/a
1986	1,100	1160	n/a
1987	1,800	1,900	n/a
1988	1,500	1,653	2,090
1989	1,100	1,250	1,600
1990	1,200	1,650	2,200
1991	1,750 *(GCU)*	1,950	2,200
1992	1,550 *(GCU)*	1,500	2,200
1993	1,800-2,000 *(GCU)*	2,000	2,645
1994	2,000 *(GCU)*	1,800-2,100	2,300

***Source**: GPMB, GCU, USAID, Ministry of Agriculture*

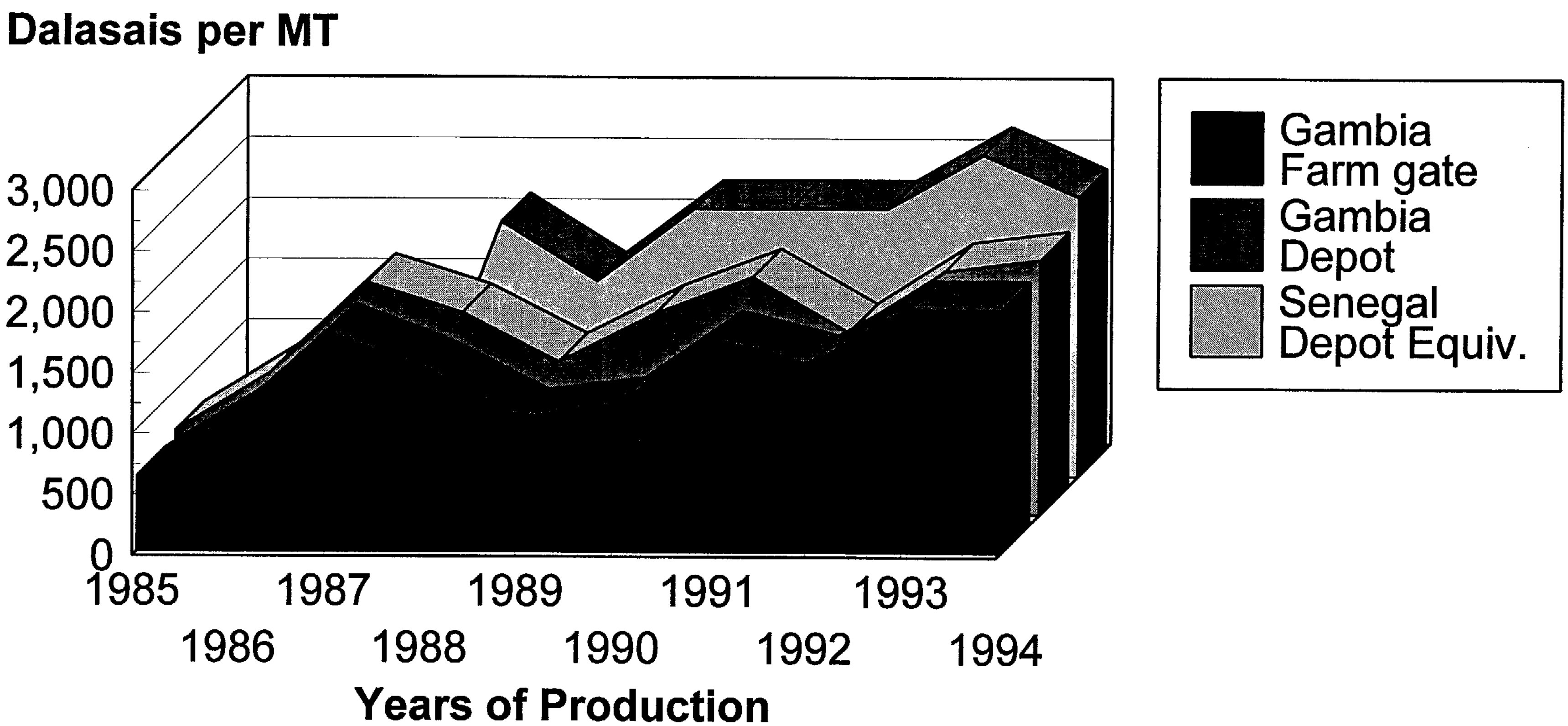
Starting in the 1990/91 season, with elimination of GPMB's export monopoly, a range of producer prices began to be established, representing competition between GPMB, GCU and private traders.

**Senegalese prices shown are those offered to Senegalese farmers; in many years, Gambian groundnuts have sold in Senegal at a substantial discount to Senegalese nuts (in 1992/93, Gambian groundnuts sold in Senegal fetched around D2,145 per MT as against D2,645 for Senegalese producers).*

***In 1990/91, the old system under which GPMB calculated a buying allowance it would pay to buying agents for collection and delivery of groundnuts to GPMB depots was abolished. Starting in the 1990/91 season, GPMB announced a depot price only, which it paid to anyone, farmer, trader, or GCU, delivering a minimum of 5 MT of nuts to a GPMB depot. GCU and private traders then had to fix their own farm-gate prices at a level that would ensure them an adequate supply of nuts and an appropriate profit margin.*

Exhibit 2.4

Producer Price Differentials: The Gambia and Senegal



In 1993, the Gambian farm gate price ranged from D1800-2000

In 1994, the Gambian depot price ranged from D1800-2100

Exhibit 2.5

PUBLIC ENTERPRISES IN THE GAMBIA, AS OF SEPTEMBER 1993

	Name	Status	Year of last Status Change
1	Gambia Utilities Corp. (GUC)	10 year LEASE to private operators	1993
2	Gambia Ports Authority (GPA)	100% GOTG owned, under a performance contract	1993-1996
3	Gambia Product Marketing Board (GPMB)	SOLD to private investors	1993
4	sub: GAMCOT	GOTG has a 49% minority share	1992
5	National Trading Corp. (NTC)	SOLD to private investors	1991
6	Gambia Public Transport Corp. (GPTC)	100% GOTG owned, under a performance contract	1991-1994
7	Livestock Marketing Board (LMB)	Act repealed, now a Ltd. Liab. Co., FOR SALE	1993
8	sub: GAMTAN	40% GOTG owned	ongoing
9	Old Atlantic Hotel	100% GOTG owned	ongoing
10	Citroproducts	UNDER LIQUIDATION	1993
11	GAMTEL	100% GOTG owned, under a performance contract	1993-1996
12	Kotu Workshop	20 year LEASE to private operators	1992
13	Brikama Ice Plant	SOLD by installment to private investors	1990
14	Pakalinding Ice Plant	Leased in '89, repossessed in '92, FOR SALE	1992
15	Fish Process & Marketing Corp. (FPMC)	Sold and repossessed by NIB, FOR SALE	1990
16	Kanifing Brick Plant	SOLD to private investors	1990
17	Abuko Feedmill & Hatchery	SOLD to private investors	1990
18	New Atlantic Hotel	10 year LEASE to private operators	1988
19	Nyambai Sawmill	SOLD to private investors	1989
20	CFAO	SOLD to private investors	1987
21	Gambia Airways	60% GOTG ownership	ongoing
22	African Hotels, Ltd.	SOLD to private investors	1989
23	Seagull Coldstores	LIQUIDATED	1991
24	Banjul Breweries	2.4% GOTG ownership	ongoing
25	Senegambia Hotel	51.7% GOTG ownership	ongoing
26	Kairaba Hotel	12.5% GOTG ownership	in receivership
27	Kombo Beach (Novotel) Hotel	37% GOTG ownership	ongoing
28	Scangambia	7.4% GOTG ownership, under LIQUIDATION	ongoing
29	Gambia Comm. & Devel. Bank (GCDB)	SOLD to private investors	1992
30	Gambia National Insur. Corp. (GNIC)	SOLD to private investors	1991
31	Soc. Security Housing & Fin. Corp. (SSHFC)	100% GOTG owned, under a performance contract	1993-1996
32	Agricultural Savings Bank	LIQUIDATED	1989
33	Post Office and Postal Savings Bank	100% GOTG owned	ongoing

ANNEX I

Privatization and Economic Reform in the Gambia

The Gambia, with per capita GDP of about $240, is one of the 20 poorest countries in the world. This small country of limited natural resources, a variable climate, and a high level of dependence on a single sector (agriculture and, specifically, groundnuts), recognized the importance of diversifying its economic base since the 1980s. The Gambia undertook this effort entirely on its own initiative, but rather in response to donor pressure to end the system of state control of productive enterprises, consumer subsidies, and market intervention that had resulted in a negative rate of per capita GDP growth throughout the 1980s (from 1975 to 1985, per capita GDP had declined by an average 1.6% annually). Starting in 1985, the Economic Recovery Program (ERP) began, with the goal of reducing state interference in the economy. Removal of price controls and subsidies began in 1986, followed by introduction of a more flexible exchange rate system, which led to successive devaluations and better agricultural price incentives. These reforms were accompanied by restructuring of the public sector, which included retrenchment of about 20% of the public sector work force between 1985 and 1987.

The ERP contributed to a marked improvement in The Gambia's economic performance. Real GDP, which had been growing by about 1.8% annually, substantially less than the rate of population growth, began to grow at a 4% annual rate. Inflation fell from 75% to around 5%. The budget deficit fell from 17% of GDP to 4% by 1991/92. The financial sector was liberalized, and controls on bank deposits and lending rates were lifted.

Following the success of the ERP, the GOTG in 1990 introduced the Program for Sustained Development (PSD), which was aimed at widening the impact of economic reforms to the benefit of all Gambians. The main instrument for accomplishing this was to be the private sector, and a wide range of reforms and incentives, many of them started under the ERP, was expanded to improve the environment for private sector activity. Key elements of the PSD included:

- maintaining real GDP growth of at least 5% per year;
- encouraging greater private sector participation, especially in agriculture, tourism, financial services, processing and light manufacturing industries;
- improved debt management and minimizing the growth of new debt;
- improving social services in health and education;
- improving infrastructure and services at competitive prices in road transport, electricity, water and telecommunications; and,
- increasing regional economic cooperation.

The principal features of the ERP and the PSD, as they affected the groundnut sector, included:

- Phasing out of agricultural subsidies;

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- elimination of consumer subsidies;
- devaluation of the Dalasi and introduction of a flexible exchange rate system;
- public enterprise reform, including the introduction of performance contracts and launching of a privatization program;
- passage of the Development Act of 1988, aimed at simplifying investment procedures and incentives and encouraging export-oriented foreign investment;
- financial sector reform, including liberalization of banking regulations and bank privatization;
- liberalization of groundnut marketing, including an end to GPMB's export monopoly.

Privatization formed an important component of the both the ERP and the PSD. During the period from 1975 to 1985, the number of public enterprises (PEs in The Gambia had more than doubled to 25 (see Appendix III). In addition to these Pes, there were numerous Government departments conducting commercial, industrial or service business operations; these included a brick plant, a sawmill, a carpentry workshop, a mechanical workshop, poultry farming equipment and services, and two ice plants, as well as the General Post Office, the Civil Aviation Department, and the Government Printing Office. By 1985, the PE sector accounted for 15% of GDP and at least 25% of formal sector employment, while serving as a conduit for some 40% of the public investment portfolio.

By 1985, GPMB had accumulated liabilities to the banking system of D100 million ($35 million at the then-prevailing exchange rate). Excluding GPMB's debt, the other PEs had accumulated arrears of D64 million ($22.4 million) to Government, mainly from external loans on-lent to PEs or Government guaranteed bank loans, which the PEs were unable to repay. The Gambia Utilities Company (GUC) had not made a profit in 10 years, and accumulated losses had wiped out its equity entirely, while it owed some D20 million in arrears on debt payments to Government. The Gambia Public Transport Company (GPTC) had seen a 50% reduction in the number of passengers carried, owing to deterioration of its bus fleet. The Gambia Commercial and Development Bank (GCDB) until 1982 was the principal source of credit for GPMB, after which time GPMB was allowed to borrow directly from the Central Bank.

Public enterprises were subjected to a wide range of Government policies directly at odds with the imperatives of running a profitable commercial enterprise. In the case of GPMB, this consisted at first of siphoning off its accumulated reserves for other development projects, as well as interference in pricing decisions. Government also set artificially low prices for GUC and GPTC products and services, preventing them from recovering their operating costs or undertaking necessary capital investment.

Under the ERP, Government began to address the problems of PEs by imposing a moratorium on creation of new PEs. With World Bank assistance, 3-year performance contracts were introduced in 1987, starting with GPMB, The Gambia Ports Authority (GPA) and GUC, and later extending to other PEs as well. These contracts guaranteed full autonomy to the management of these enterprises, including staffing, salaries and prices. The National Investment Board (NIB) was given representation on the boards of all PEs with a mandate to monitor performance, provide technical assistance, and review investment proposals.

The performance contracts were explicitly recognized as a precursor to full privatization of PEs, a way of putting them on a more solid commercial and financial footing before divesting them. In late 1986, the GOTG established a Privatization Task Force, comprising representatives of the President's Office; the Ministries of Justice, Trade and Industry, and Finance and Economic Affairs; and, the National Investment Board. The NIB was designated as the coordinating body of the Task Force, providing its chairman and secretarial and technical support. The Task Force was charged with formulating and carrying out a privatization strategy; setting divestment procedures and criteria; identifying policy, legal and regulatory issues to be addressed; negotiating sale arrangements; and, monitoring post-sale activities to ensure compliance with agreements.

The National Trading Corporation (NTC) was among the first major PEs to be privatized. As a generally profitable company, it was not expected to present significant difficulties in attracting investors. Although it was nominally only 51% Government-owned, it was representative of the kind of interlocking ownership structures so common among PEs in The Gambia. NTC had been established by Act of Parliament in 1973 from the remnants of several expatriate-owned trading firms that had left The Gambia in the wake of increasingly restrictive Government policies. The Ministry of Trade held 51% of the shares in NTC, in trust for the GOTG, while the remaining 49% was divided among the GPMB, The Social Security and Housing Finance Corporation (SSHFC), and the GCU, all of them 100% owned by Government itself or other PEs.

In 1988, 75% of the shares in NTC were offered to the public, subject to the condition that: 1) only Gambian citizens (including those resident abroad) could subscribe; and, 2) no shareholder could acquire more than 12.5% of the total share capital of the company. In the event, the issue was drastically undersubscribed so that by 1990 only 11% of the total share capital had been sold. The tepid response was partly the result of the ownership restrictions, which effectively prevented any investor from taking an active management role in the company. Equally important was the widespread perception that the shares were overpriced. 3.75 million shares, representing 75% of the total shareholding, were offered at a price of D6 per share, thus valuing the company at D30 million. With net assets of only D8.4 million, and an average dividend yield of about 4%, the shares do appear to have been significantly overpriced.

The Government Departments were divested in the early stages of the privatization program; the carpentry workshop was closed down and the remaining ones, apart from the Post Office, Government Printer and Civil Aviation Authority, were sold to local private investors in 1989 and 1990. These three remaining entities are in theory open to privatization, although the Task Force has not yet conducted any assessment of them and does not appear to regard their privatization as a priority.

The six financial PEs were also privatized early on, as part of the overall liberalization and restructuring of the financial sector. In 1987, GOTG's 10% interest in Standard Chartered Bank was sold. The Agricultural Development Bank was liquidated in 1990. Also in 1990, The Gambia National Insurance Company, which was 100% Government-owned, was privatized. This company was profitable, and so presented little difficulty. In 1992, also as part of the restructuring exercise, The Gambia Commercial and Development Bank (GCDB) was liquidated, its assets sold to Meridian BIAO and its liabilities transferred to the GOTG-owned Assets Management and Recovery Corporation.

The GOTG-dependent eight "strategic" enterprises were said to play dominant roles in the national economy, enjoy a monopoly, or were politically or socially important. GPMB was the largest of this group, which also included The Gambia Ports Authority (GPA), GUC,

Gambia Cooperative Union (GCU), Gamtel, GPTC, the Livestock Marketing Board, and SSHFC. The Task Force decided that these PEs would need to be restructured and rationalized prior to privatization. Especially important was the need to sell off the non-essential assets and operations, so as to arrive at a set of core activities and assets more likely to appeal to potential investors. Also critical was the need to mitigate the potential effects of replacing a public monopoly with a private one.
Of the 8 "strategic" PEs, only one (GPMB) had been fully privatized by the summer of 1994.

GCU, as described in Section II (C) of this report, was nominally privatized; however, since it too was technically bankrupt and also continued to operate under the Cooperative Societies Act rather than the Commercial Code, it could not be considered truly private.

The four other strategic PEs remain in the parastatal sector. With the demise of the GCDB, SSHFC has become Government's principal vehicle for lending to and investing in the parastatal sector as well as economically or politically strategic private enterprises. GPA, Gamtel, and GPTC continue as PEs under the performance contract system, which has provided these companies with the autonomy and resources needed to restore their service to appropriate levels. GPA has also leased its dockyard operations to a private operator, while its ferry services and assets were transferred to GPTC. Although there is talk of fully privatizing one or more of these, this is a low priority at present for the Task Force. GPA, Gamtel and the Civil Aviation Authority are currently exploring ways of jointly improving telecommunications and transport infrastructure to become an internationally competitive trading and information services center, functioning as a sort of "gateway" to the rest of West Africa.

ANNEX II

GPMB Core and Non-Core Asset Status Report

CORE ASSETS

Gambia Oilseed Processing and Marketing Company Ltd. (GOPMAC)
GCU/Alimenta and the Government signed a Sales Agreement for GOPMAC on July 28, 1993. The down payment amount of six million Dalasi was also received on July 28, 1993.

NON-CORE ASSETS

Port Authority Storage Units
The Gambia Ports Authority purchased the units for the sum of 3,585,000 Dalasi in September 1991.

Kanifing Construction Department
Habib Jeng and Sons Co. Ltd. purchased the Kanifing Construction Depot for the sum of 1,200,000 Dalasi in September 1992.

Kanifing H.P.S. Department
Mr. Basirou Jawara of Wadner Beach Hotel, bought the Kanifing H.P.S. Department for the sum of £60,000 in September 1992.

Stores at Kanifing
The Milky Way purchased the stores at Kanifing for the sum of US$575,000 in January 1992.

Rice Stores
Thirteen rice stores have been advertised and are currently for sale.

Rice Mills
Two rice mills have been advertised and are currently for sale.

Cotton Gin
The Gambia Cotton Company Ltd (GAMCOT) was established on June 5, 1992. Assets were transferred to GAMCOT for the sum of 200,000 Dalasi plus a percentage of future exports. GAMCOT is a joint venture between La Compagnie Francaise pour le Developpement des Fibres Textiles (CFDT) (51%) and the Government of The Gambia (49%).

GPMB Head Office at Marina Parade
The Marina Parade property valued at 3.2 million Dalasi is being assigned to the Government in the name of Ministry of Finance. A sum of 6 million Dalasi was transferred to the Central Bank by the Ministry of Finance and Economic Affairs as payment for this asset.

Barra Hotel
Alhaji Tabora Manneh purchased the Barra Hotel for the sum of 300,000 Dalasi in October 1992.

Shares in The Gambian Commercial and Development Bank Ltd. (GCDB)
The Gambian Commercial and Development Bank was sold to Meridien Bank in June 1992. According to the liquidator, Peat Marwick, due to the negative net worth of GCDB at the time of the sale, GPMB's shares of GCDB Ltd. are deemed worthless.

Shares in Citroproducts (Gambia) Ltd.
Citroproducts (Gambia) Ltd. was put under liquidation in February 1992. According to the liquidator, Pannell Kerr Forester, GPMB's shares of Citroproducts (Gambia) Ltd. are deemed worthless.

The Gambia River Transport Company (GRTC)
The fixed assets of the Gambia River Transport Company were transferred to the Gambia Produce Marketing Board and, in turn, to GOPMAC in November 1991 and October 1992, respectively.

The Gambia Produce Marketing Company Ltd. (GPMC) London
30 Sydenham Road, Croydon, England
Bromley Properties bought the Croyden property for the sum of £222,500 in February 1991.

London Residence, 2A Hillcroft Avenue, Surrey, England
Mr. and Mrs. Richard O'Brien purchased the Surrey property for the sum of £148,500 in November 1992.

Bakau Residence, 110 Atlantic Boulevard
Dr. M. Faal purchased the Bakau Residence for the sum of 400,000 Dalasi in January 1993.

ANNEX III

Meeting on the Privatization of GPMB
Held on May 25th 1993

A M Touray	-	Chief Executive, Chairman
M B Njie	-	Deputy Chief Executive
E Brewis	-	GOPMAC
Abdoulie Sireh-Jallow	-	MFEA
Yusupha Kah	-	Office of The President
Castagnoli Sesto	-	Geo Astor/Zeiss
Baboucarr Gai	-	GCU/Alimenta
Yaya Sanyang	-	Alseka
Cheikh Soumare	-	Alséka (W.A) Ltd
Sohna Amie Jobe	-	Alseka (W.A) Ltd
M O S Ndure	-	MTIE
L M Fye	-	NPC/NIB

<u>Agenda</u>

Terms and Conditions of Financial Proposals of Bidders.

1. The Chairman opened the meeting and explained that the purpose of the meeting was to discuss the Financial proposals of the bidders since technical evaluation have been completed. He therefore informed the meeting that the discussions would be centred around terms and conditions of their bids, whereby each bidder would be given the opportunity to clarify terms and condition of financial proposals through a private discuss with the Task Force.

2. After a lottery on the ranking of the private discussions with the Task Force, Geo Astor came first, GCU second and Alseka third.

3. <u>Negotiation with Geo/Astor (Zeiss) on financial proposal</u>

   The Financial proposal as given by the bidder was as follows:

   D17.6 million rate <u>D8.85</u> = $1
   US$ 2 million over 3 years
   Downpayment US$500,000 at take over
   1 year later US$750,000 + 0.75 of FOB value
   1 year later US$750,000 + 0.75 of FOB value

   Mr Castagnoli informed the task force that the Government has an option to be paid either in US dollars or in Dalasis. The Task Force expressed the need to have a uniform currency for all bidders for assessment purpose and thus proposed the financial proposal of Geo Astor to be converted into dalasi.

The exchange rate to be used was discussed. According to the Opening of Bids day, the rate was D8.2 to 1US$ and the dalasis equivalent was thus D16.4 million. But if the rate of the 25th May 1993 is used the dalasis equivalent is D17.6 million. The Task Force therefore decided to use D8.2 = 1 US$ for evaluation purposes.

The percentage of FOB as in additional payment to Government was discussed and the Task Force was in the opinion that the % of the sales should be calculated and added in the total amount to be paid to Government which could help in the evaluation process. After the calculation the proposal was as follows:

Down payment US$500,000 = 4,100,000			
1st year D600,000 (0.75%)	+ US$ 750,000	=	D6,750,000
2nd year D800,000	+ US$ 750,000	=	D6,950,000

	Total		D17,800,000

Interest on outstanding amount is not envisaged by the bidders.

Mr Castagnoli further informed the Task Force that all legal issues could be settled within 2 - 3 weeks.

The Task Force agreed to consider three options

(1) to use US$/dalasis rate as on the date of opening of the bids i.e.30th april 1993

(2) have one US$ rate for the whole period of the payment or

(3) to be paid in US$ at dalasi rate of that day of transaction.

The Chairman further reminded the Task Force to consider the use of the proceeds which could keep a determining mode of payment i.e. for debt servicing or for budgetary support.

2. Negotiations with GCU/Alimenta on Financial proposals

D10,000,000 was offered - mode of payment was not stipulated.

The GCU/Alimenta representatives expressed concerned on the Task Force approach to concentrate only on the financial package without considering the socio-economic factors and investments in the groundnut sector.

The Chairman gave a brief explanation on the whole process of privatizing GOPMAC which is the largest task ever put forward to the Task Force. Therefore the method used for evaluation was the two-envelope system i.e. one on technical competence and the other one on financial. In this case, all three bidders have been assessed and found technical competent although the degree of competence vary and thus the financial package which is important for decision making by the Task Force needs to be discussed to select the best offer.

The representative of GCU/Alimenta thought that they are more competent than the other bidders.

Mr Benjamin revised the offer to D15,000,000 with a down payment subject to negotiation with the rest of the payment to be made within 4 years with 1 year grace period. He stressed that the important thing is that GCU/Alimenta will invest in the groundnut sector by investing at least US$5 million. When he was asked by the Chairman to confirm on the down payment arrangements and the other instalments, GCU improved their offer to D20,000,00. With a Downpayment of D6,000,000 on the date of signing the contract, asked for a Grace period of 1 year and balance to be paid in 3 years 14,000,000 at equal instalments i.e. D4.67 million

No interest is envisage from bidders.

3. <u>Negotiations with Alseka Company on Financial Proposals</u>

D11,500,000 was offered, with a Downpayment of D3,500,000
Grace period 5 months D5,000,000 after 5 months
D3,500,000 balance after 1 year of signature and downpayment

No interest was envisaged from bidders on balance outstanding Chairman confirmed that no liabilities will be passed even to the successful bidder.

4. The Chairman explained to the meeting that the next step would be i.e. to inform Cabinet at its next sitting of the negotiations and hoped to get approval from Cabinet within 7 - 10 days. All bids were put into net present value and the scoring system was adopted. The highest scorer of both technical and financial was to be recommended to Cabinet to be the first bidder to commence negotiations with the Task Force. The Chairman thanked all bidders for their favourable response and cooperation. The bidders left at 11:50am.

5. The Chairman explained that the next step was to evaluate the financial proposals. The first step has to put all the bids in a common currency and then discount the proposals into present value.

The calculations were done using discount factor of 15%.

The results were as follows:-

Geo/Astor	D15,079m
GCU/Alimenta	D15,191m *
Alseka	D10,118m

The technical proposal had 70 points and financial 30 points. The total results were as follows:-

	Technical	Financial	Total Scores
GCU/Alimenta	214	106	320
Geo/Astor	215.5	84	299.5
Alseka	145	55	200

6. The Price Water House Consultants had reserved a price for GOPMAC which was between D17.6 million and D45 million. Three methods of evaluation were used by the consultants to arrive to the wide range of reserved price. However, in real terms all the three bids fell short of the reserved price.

   The interest rate element was raised and it was decided to bring up subject during negotiations with the successful bidder.

7. The Task Force therefore decided to recommend to Cabinet that negotiations should commence as soon as possible with GCU/Alimenta, failure in reaching an agreement with GCU, Geo/Astor, would be invited for negotiations; and if fails to reach an agreement with Geo Astor, Alseka will be invited to negotiations. A meeting would be scheduled immediately after Cabinet Conclusion have been reached on the subject matter.

The next meeting was scheduled for Thursday 2.30pm

ANNEX IV

Potential Bidders for GPMB

Gambia Cooperative Union Ltd.
P. O. Box 505 Banjul,
The Gambia
Tel 220 92676/93493/93482
Fax 220 92582
Attn: Momodou M. Dibba
General Manager

T. Massry Co. Ltd.
26 Buckle Street
P. O. Box 134 Banjul,
The Gambia
Tel 220 28419/28900
Fax 220 27677
Attn: Hassib C.Massry
Manager

Amdalaye Trading Enterprises Ltd.
21 Picton Street
Box 930 Banjul,
The Gambia
Tel 220 27058/28550
Fax 220 91997
Attn: M. H. Kebbeh
Director

Arrow Holdings Ltd
68a Wellington Street
Tel 220 29257/29861
Fax 220 29860
Attn: H. M. M. N'jai

National Partnership Enterprises
P. O. Box Tel 220
Fax 220
Attn: K. M. A. Jarrow
Manager

Cargill Technical Services Ltd
13 Upper High Street
Thames, Oxfordshire OX9 3HL
United Kingdom
Tel 44 844 261447
Fax 44 844 261708
Attn: Mike Maynard
Managing Director

Wilmont W. O. B. John
P. O. Box 2600
Serekunda, TheGambia
Tel 220 96161
Fax 220 96161

Shyben A. Madi & Son
3 Russel Street
Banjul, The Gambia
Tel 220 29215
Fax 220 27099
Attn: George Madi
Managing Director

Sheriff John
2 Iman Omar Sowe St
Banjul, The Gambia
Tel 220 26750

Gambia Export Trading
21 Kairaba Avenue
Fajara, The Gambia
Tel 220 91521
Fax 220 90062
Attn: Dr. Lamin Soho

Dolemay Ltd
3 Crossways House
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United Kingdom
Tel 44 344 874648
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Attn: R. G. Kettlewell
Managing Director

Overseas Private Investment Corporation
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Attn: David Miller
Opportunity Bank

AID
Office of New Initiatives
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Assistant Associate
Administrator

El Sheik Organization
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Attn: Carl Bazarian

Sociedad Industrial Dominicana CA
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Attn: Roberto Bonetti

MAVESA
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Attn: Jonathan Coles

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Fax 612 475 4751
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Acquisition Manager

African Growth Fund
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Attn: K. R. Locklin
Manager

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Dominican Republic
Tel 809 565 7333
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Attn: Jose Vitienes

Bracht/Sidef Engineering
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African Business Roundtable
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Group Executive Strategy Development

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Managing Director
Confectionery Stream

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or 35 Winesaplane
Monsey, NY 10952
Fax: 41 18 05 53
Attn: Jonas Verleger

Herr A. Jean Renaud
c/o SAIS
P.O. Box CH 8031
Zurich, Switzerland
Tel: 41 1 278 4221

Peter Flint
Nestle - UK
St. George's House
Park Lane
Croydon, Surrey CR9 1NR
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Fax: 44 81 681 7810

John Hill, Purchasing
Nestle - US
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(818) 549 6000

ANNEX V

LIST OF PERSONS CONTACTED

USAID

Rose Marie Depp	USAID Representative
Nancy McKay	Project Development Officer
Fred Witthans	Economist/Acting USAID Representative
Jodi Lis	FAPE Project Manager
Christine Elias	Natural Resources Management Project Manager

USAID Projects

Stephen Wade	Resident Technical Advisor, FAPE Project
Joanne Yeager Sallah	NRM Project Advisor
Coby Frimpong	Resident Technical Advisor, FAPE Project

European Union

Geoff Rudd	Resident Representative

FAO

Edward Bayagbona	FAO Representative

GOTG

Alieu N'gum	Permanent Secretary, Ministry of Finance
Abdoulie S. Touray	Chief Executive Director, National Investment Board
Lamin K. Majang	Financial Controller, National Investment Board
Momodou Cham	Financial Advisor, National Investment Board
Baboucar Sompo-Ceesay	Deputy Permanent Secretary, Ministry of Trade, Industry and Employment

The Gambia Groundnut Corporation

Richard Kettlewell	Managing Director
R. Walton Senn, Jr.	Chief Financial Officer

The Gambia Cooperative Union

Kebba O. Jobarteh	General Manager

Parastatals

Demba Gaye	Director of Operations, Social Security and Housing Finance Corporation
Andrew Sylva	Director of Social Security, Social Security and Housing Finance Corporation
Momodou Sallah	Chief Executive, Assets Management Recovery Corporation

Private Sector

Tom Bowen	Executive Director, Standard Chartered Bank
Augustus Prom	Certified Accountant
Benjamin Carr	Financial and Management Consultant
Sharif Sallah	Entrepreneur

ANNEX VI
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