

MASDAR

CAPABILITY STATEMENT IN RESTRUCTURING AND PRIVATISATION



MASDAR International Consultants

Tel: +44 118 9 730750
Email: info@masdar.com
Web Site: www.masdar.com

MASDAR CAPABILITY IN RESTRUCTURING AND PRIVATISATION

1. APPROACH

The MASDAR Group has over 20 years experience in restructuring and has developed a participatory approach to this sector which is set out in Figure 1. This framework, which is applied to every enterprise to be restructured gives shape to a participatory process approach. Active participation by stakeholders in all stages of the process is essential to its success. This is achieved by establishing effective communication at the outset and maintaining this through the use of workshops, media, formal and informal meetings. Through active participation, all stakeholders become aware of the opportunities and the threats posed by the restructuring process. Strategies can then be developed, and resources put in place to effectively maximise the benefits, and minimise the social, economic, financial, political and environmental costs of the process.

The stakeholders in a restructuring or privatisation project include:

- Government (local, state & national, technical, finance, treasury)
- Civil servants (technical, finance & treasury)
- Enterprise employees (managers, supervisors, labour)
- The local community
- Suppliers, clients and creditors

Different stakeholders may have conflicting interests, and compromises have to be negotiated to facilitate restructuring. These negotiations are the most time consuming and difficult part of the process. MASDAR's experience suggests that negotiations are more effectively achieved by an experienced facilitator who is:

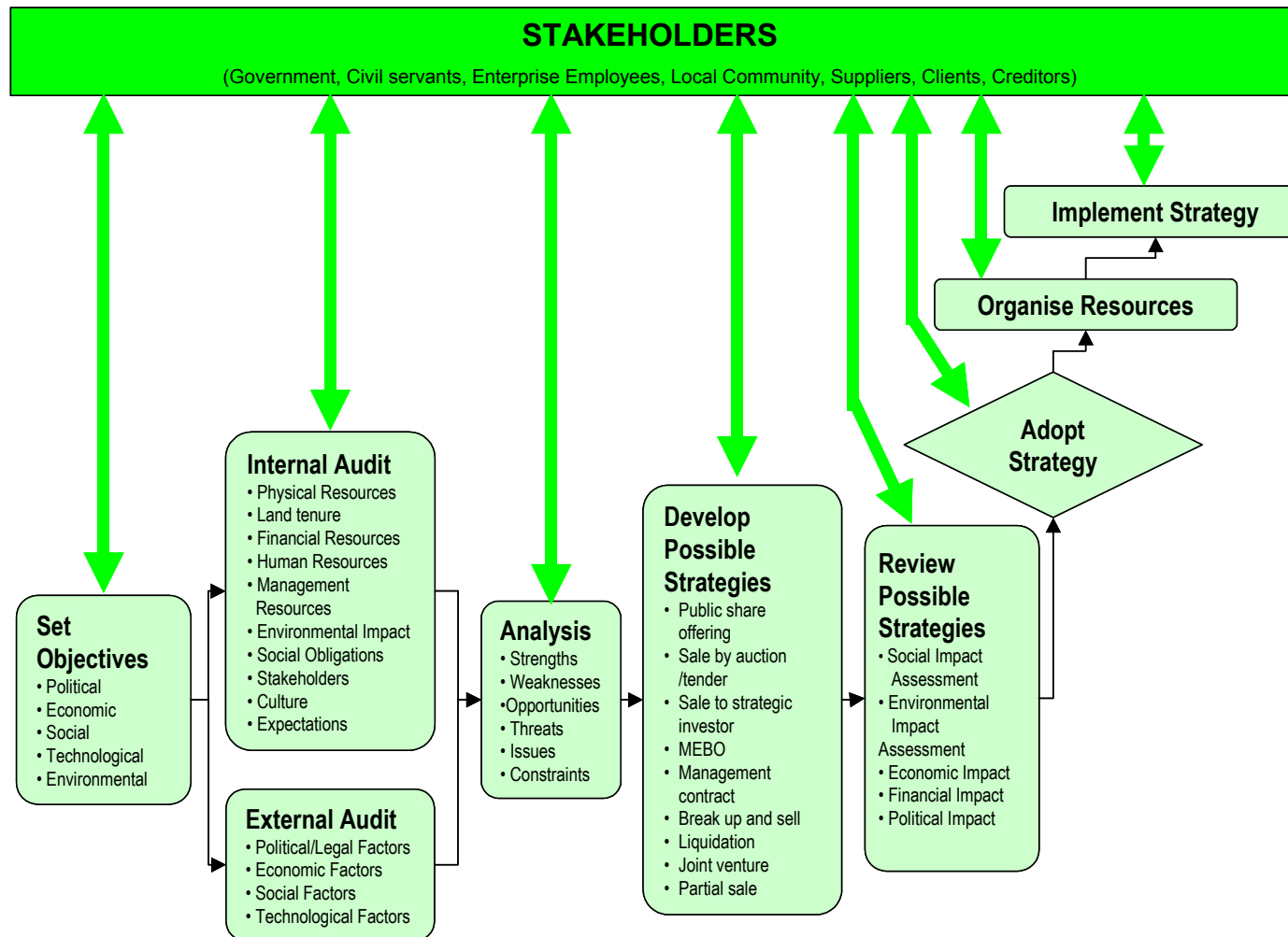
- Totally independent and impartial, and seen to be so
- Experienced from other similar projects
- Skilled in the technical aspects of the process
- An excellent communicator

MASDAR has a strong track record in both the provision of expert facilitators and in training local facilitators to take on this work.



Potato grading prior to restructuring – Eastern Europe

Figure 1: The MASDAR Approach to Restructuring and Privatisation of an Enterprise



2. EXPERIENCE

RESTRUCTURING STATE COMPANIES

RELEVANT PROJECTS	COUNTRY
Management Support Group	South Africa
Agri-Business Consultancy Services	Romania
Fresh Produce Study, Ekaterinburg	Russia
Privatisation of 5 State Farms	Poland
Privatisation of 12 State Farms	Czech Republic
Investment Preparation and promotion	Hungary
Developmetn of a Wholesale Market	Russia
Restructuring of Feed Mills and Livestock Production Companies	Romania
Divestment of Rubber Plantation Companies	Cambodia
Agro Industrial Study	Ghana

The most ambitious restructuring MASDAR has been involved with is in **South Africa** where the company assisted the Northern Province Department of Land and Environment restructure over 1100 enterprises and state-run projects. These ranged from nature reserves to commercial citrus estates and had been inherited from the 'homelands' created by the previous apartheid government. It was widely recognised that these enterprises detracted from the Departments core activities and were a serious drain on their financial resources. MASDAR helped the Department develop a clear policy for divestiture of non-core functions and developed models for implementing the policy. MASDAR staff developed a detailed database of projects and categorised them for action. This contained geographic coordinates linked to a GIS database, list of assets on each project, infrastructure conditions, status quo relating to land tenure / ownership and labour force per project. For the priority projects, forensic audits were undertaken, valuations prepared and recommendations for restructuring made. The largest of the projects including the largest citrus estate in Southern Africa are now successfully being managed by the private sector. Alongside the financial and economic aspects of restructuring were the development of social plans to mitigate the negative effects of the restructuring process. This was particularly important in the local context where government funded enterprises have been an important provider of employment and security.

MASDAR was in the vanguard of agribusiness restructuring in **Central Europe** and undertook the privatisation of the first State Farm in the **Czech Republic** in 1991. It then went on to privatise 11 more farms in the Czech Republic and 5 in **Poland**.



Cucumber Production :Ekaterinburg

In **Russia**, MASDAR staff have assisted in the development of a fruit and vegetable wholesale market in Samara. In Ekaterinburg they prepared detailed technical inventories of 56 companies in the food chain including 20 agricultural enterprises. Detailed restructuring plans were prepared for a number of these including an ECU 2 million business plan for the Sredneuralski Poultry Farm which is being considered by EBRD. Three summary business plans, which served to

focus managerial priorities were prepared for enterprises dealing with Baby Food Production, Potato Storage and Food Distribution.

Four MASDAR Investment Analysts in **Hungary** worked with the Ministry of Agriculture to prepare prefeasibility and feasibility studies for agricultural investment. In all they prepared 145 agricultural projects and reviewed agri-business grant applications totalling ECU 4.74 million.

In **Romania**, our local company, ROMASDAR, has been involved in extensive company restructuring not only of agricultural enterprises but also processing plants, the country's largest brewery and various retailers. Most notably MASDAR's major achievement in Romania was the training of 18 Romanian consultants in the role of privatisation facilitators to International standards.

In **Cambodia**, MASDAR specialists facilitated the divestment of all the state owned rubber plantations. The divestment plans were developed through a participative process involving all stakeholders. Stakeholders developed plans which would result in a sustainable future for the rubber industry with a minimal negative short term social impact.



Cassava Processing Plant : Ghana

The Agro Industrial Study in **Ghana** involved a team of 11 MASDAR consultants who reviewed the agro industrial activities for all major food and industrial crops in the country. By the end of the study 5 private sector projects, 2 public sector programmes and 2 other detailed investigations had been prepared ranging from tomato paste processing to tilapia cage culture on the Volta Lake. Proposals included suggestions for intervention and recommendations for restructuring of some existing industries. The study was completed in 2002 and has stimulated considerable interest in both the Public and Private sectors. Latterly it has resulted in the AfDB and Ghana Government agreeing to a major new project entitled the Export Market and Quality Awareness Programme.

INWARD INVESTMENT

RELEVANT PROJECTS	COUNTRY
Fresh Produce Study, Ekaterinburg	Russia
Agri-Business consultancy Services	Romania
Inward Investment	Romania
Agro Industry Study	Ghana

The long term impact of many projects in the agricultural sector can be facilitated by encouraging inward investment. MASDAR has long seen this as an important goal and has an excellent track record in facilitating business links and encouraging private companies to invest in transition economies.

On the Ekaterinburg project the EU companies Roche/Colburn-Dawes undertook a feasibility study for investing in both an animal feeds project and the reorganisation of the pig sector in the Sverdlovsk Region. On the same project a local cannery, Marinad, formed business links with Chivers and Lakeshore in Ireland which have resulted in active trading taking place.

MASDAR's greatest success in promoting inward investment has been in **Romania** where UK farmers are being encouraged to farm the excellent soils of the Danube basin. Over 50 farmers have visited the area, 3 are now actively farming there and over \$1.5 million worth of investment has already been committed with a further \$5 million in the pipeline.



Arable farming on the plains of the Danube Basin

As part of the Agro Industrial Study in **Ghana**, MASDAR facilitated inward investment and has organised several seminars for potential investors. It identified several foreign investor interested in expanding their activities into West Africa.

Currently, in Nigeria, MASDAR is preparing a prefeasibility study for private investors in producing Ethanol from Cassava.

LAND REFORM

RELEVANT PROJECTS	COUNTRY
Land Information System	Lithuania
Land Privatisation and Registration	Lithuania
Privatisation of State Farms	Czech Republic
Privatisation of 5 State Farms	Poland
Divestment of Rubber Plantations	Cambodia

Land reform is an important issue in the process of restructuring agricultural and agribusiness enterprises in the transitional economies of Central Europe, Eastern Europe and Asia and many countries in Africa. Mapping, land title and land restitution needs to be undertaken and systems established to enable the emergence of a land market so that units can be consolidated and land offered as effective collateral against credit. In **Lithuania**, MASDAR established an appropriate land information system, which has been widely acclaimed, and has formed the basis for future land registration and privatisation.

In both the **Czech Republic** and **Poland** MASDAR needed to determine land title prior to privatisation of a total of 16 former state farms. In **Cambodia**, establishing effective leaseholds was a key component of the divestment process.

RESTRUCTURING GOVERNMENT INSTITUTIONS

RELEVANT PROJECTS	COUNTRY
Reorganisation and Commercialisation of the Cocoa Research Institute	Ghana
Management Support Group	South Africa
Agricultural Extension & Farmer Support services	Nigeria
District Development Support Programme	Zambia
Rural Agro-Industrial Development Scheme	Nigeria
Agricultural Research & Extension Project	Nepal

MASDAR provided Technical Assistance for the reorganisation and commercialisation of the Cocoa Research Institute of **Ghana**. The overall objective was to significantly reduce their expenditure budget and to diversify CRIG's sources of funding by commercialising its research results and providing consultancy services to other institutions. Previous attempts to commercialise research in Ghana have not always met with success, and the MASDAR team put considerable emphasis on the participatory approach. All stakeholders were involved from the very start of the process and their involvement and ownership was critical for its success.

A major component of the Management Support Group project in **South Africa** was the complete restructuring of the Department of Agriculture to ensure better delivery of services to farmers. A major 'change management' programme was

implemented, a cadre of management trainers developed and a completely revised departmental organogram implemented. In addition, considerable progress has been made in the transformation of the two agricultural colleges involving complete restructuring of their organisation, revised curricula and setting-up a quality assurance and accreditation system.

In **Nigeria**, MASDAR completed a review of the Agricultural Extension & Farmer Support Services in 1999. The services were top down oriented and not responsive to farmers needs. Using PRA and RRA, MASDAR formulated plans for the restructuring of the Agricultural Extension & Farmer Support Services so that they were more client focussed. These plans have been accepted by the Government of Nigeria and resources are being put in place to implement the plans, a process MASDAR will facilitate.



Restructuring the Extension Service: Nigeria

During the implementation of the District Development Support Programme, in **Zambia**, one result of restructuring at Local Government level was the establishment of District Development Co-ordinating Committees, which proved so successful that they have been adopted on a national scale. These DDCC's bring together all the key actors involved in district development ranging from government line departments to NGO's and CBO's. They meet on a monthly basis and ensure that development activities are coordinated and scarce resources, like transport, shared.

MASDAR is helping to improve the management and capacity of agricultural research and extension services within **Nepal** by restructuring and developing the capacities of both the Department of Agriculture and the Nepal Agricultural Research Council.

The project is a challenging change management project. Its aim is to modernise and reform Nepal's agricultural research and extension systems so that they provide decentralised, demand-driven, client-oriented services. Considerable success has been achieved and the extension service in particular, has been completely restructured.

3. INDICATIVE STAFF

MASDAR maintains a database of over 3000 consultants many of who have considerable experience in the various aspects of restructuring and privatisation. Some key examples are:

James Siggs – Business Development Adviser : James has over 15 years experience in the privatisation sector and has restructured research stations (Indonesia, Ghana), estates (Sri Lanka, Cote d'Ivoire, Indonesia, Thailand, Cambodia and Malaysia) other farming enterprises (South Africa, Romania and Papua New Guinea) and agro industries (Romania). He led the MASDAR team advising on the restructuring and commercialisation of the Cocoa Research Institute of Ghana.

Lana Kinley – Restructuring and Privatisation Specialist : Lana has over 14 years experience of restructuring and privatisation and was the lead Privatisation Adviser to ODA (now DfID) in Zambia from 1992 – 1994. Examples of her privatisation work include: privatisation policy advice to the Governments of Lesotho, Nepal, Sri Lanka, Vietnam, Zambia and Zimbabwe; design, management and implementation of privatisation programmes in Lesotho, Zambia and Zimbabwe; restructuring and divestiture recommendations for various industries including agro-industry, aviation, central and investment banking, electricity, engineering, health, mining, telecommunications and water.

Mike Mann – Valuation and Corporate Restructuring : Mike is a privatisation and restructuring specialist with extensive experience in employee buyouts. He has extensive experience in business appraisal and valuation, mergers, acquisitions, privatisations, divestitures, corporate recovery, management and employee buyout, public share issues / financial projections and all forms of corporate restructuring. He has worked in many developing countries including Romania, Hungary, Poland, Lithuania, Albania, Macedonia, Egypt, Syria, Jordan and Kenya.

Chris Tapscott – Social Adviser : Professor Tapscott is a sociologist with considerable experience in the social implications of restructuring which are often the most critical factors determining the success of the process. This proved to be the case in South Africa where he was part of the MASDAR team involved in restructuring over 1000 enterprises. He developed a manual to facilitate the process of restructuring which included the steps to be followed in implementing a Social Plan (including the retrenchment of workers and the disposal of land and assets) and in the options for the future management of projects.

Barry Senior – Institutional Restructuring : Barry has over 30 years international experience in change management programmes, institutional restructuring and human resource development. He has worked in many developing countries including Cameroon, Egypt, Ghana, Kenya, India, Nigeria, Uganda, South Africa, Zambia and Zimbabwe. From 1998 – 2002 he was MASDAR's Organisational and Development Specialist in Northern Province of South Africa where he implemented a total restructuring of the Department of Agriculture and completely reorganised two Agricultural Colleges. Barry worked for MASDAR on the Restructuring of the Cocoa Research Institute of Ghana.

4. SUMMARY

Restructuring and privatisation in agriculture and agribusiness poses particular challenges, which are best addressed by consultants with specific sectoral experience.

MASDAR has substantial and pertinent experience in the restructuring and privatisation of agriculture and agribusinesses worldwide. Our project experience is summarised in Table 1.

TABLE 1 : Examples of MASDAR's Experience in Restructuring/Privatisation

COUNTRY	PROJECT TITLE	CLIENT	FUNDING AGENCY
Cambodia	Divestment of Rubber Plantations	Ministry of Agriculture & Food	Asian Development Bank
CIS	Port of St Petersburg	Sea Port of St Petersburg	Commission of the European Communities
CIS	Fresh Produce and Animal Feedstuff Distribution and Marketing Study	TACIS	EU
CIS	Development of a Wholesale Market	TACIS	EU
Czech Republic	Borohradek State Farm Privatisation	Ministry of Agriculture & New Landowners	Private
Czech Republic	Nova Bystrice State Farm Privatisation	Ministry of Agriculture & New Landowners	Private
Czech Republic	Pavlovice State Farm Privatisation	Ministry of Agriculture	Private
Czech Republic	Privatisation of Most State Farm	Ministry of Agriculture & New Landowners	Private
Czech Republic	Privatisation of Melnik State Farm	Ministry of Agriculture & New Landowners	Private
Czech Republic	Vlasim State Farm Privatisation	Ministry of Agriculture	ODA
Ghana	TA for the Reorganisation and Commercialisation of CRIG	Ministry of Agriculture	EU
Ghana	Agro Industrial Study	Ministry of Agriculture	AfDB
Nigeria	Rural Agro-Industrial Development Scheme	Federal Government of Nigeria	IBRD
Nigeria	Agricultural Extension & Farmer Support Services	The Petroleum Trust Fund of Nigeria	The Petroleum Trust Fund of Nigeria

Restructuring and Privatisation

COUNTRY	PROJECT TITLE	CLIENT	FUNDING AGENCY
The Gambia	Pan African Rinderpest Campaign	Department of Veterinary Services	EU
Nepal	Agricultural Research & Extension Project	Ministry of Agriculture and the Nepal Agricultural Research Council	World Bank
Poland	Restructuring and Privatisation of Five Selected State Farm Enterprises	Phare	EU
South Africa	Management Support Group	Northern Province Department of Land and Environment	DFID
Slovak Republic	Restructuring of CHEMKO Strazke a.s.	Phare	CHEMKO Strazke a.s.
Romania	Agribusiness Consultancy Services	Ministry of Agriculture & Food	Phare
Romania	Restructuring of Feed Mills and Livestock Production Companies	Ministry of Agriculture & Food	Phare
Romania	Restructuring of AGROCOM Dej	Ministry of Agriculture & Food	Phare



Scenes from state-run farms prior to restructuring: Eastern Europe

