The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: November 19, 1992 11:35am

TO: Alan Piazza (ALAN PIAZZA)
TO: Weiguo Zhou (WEIGUO ZHOU)
FROM: Richard Burcroff II, AGRAP (RICHARD BURCROFF II)
EXT.: 30366

SUBJECT: China GDMP Appraisal: Draft TOR For LaCroix (again)

Attached pls. find a revised version of the TOR. The first had him visiting places in China not on his schedule. Sorry.

Attached to this message is a WORDPERFECT 5.X document. You cannot use ALL-IN-1 to display or print it. You must first transfer the attachment to your PC using the FAP option. Then you may process the file with the same software that was used to create it.

CC: Joseph Goldberg (JOSEPH GOLDBERG)
CC: Albert Nyberg (ALBERT NYBERG)
CC: YOULAN ZOU (YOULAN ZOU @A1@CHINA)
CC: Gershon Feder (GERSHON FEDER)
CC: Ramesh Deshpande (RAMESH DESHPANDE)
CC: Institutional ISC Files (INSTITUTIONAL ISC FILES)
Generic TOR for Richard LaCroix  
(GDMP Appraisal Mission)

Duration: To participate in mission to China, December 1-20, 1992 as member of the mission's "policy team", followed by 10 days' report writing in Cambridge, MA and possibly one day visit to Bank HQ to review report.

In-Country Itinerary: Per arrangements made by RMC, Mr. LaCroix will visit Beijing Municipality; Changsha, Hunan; Shanghai Municipality; Nanjing, Jiangsu; and Anshan, Liaoning. Field mission part of assignment will end in Beijing following mission wrap-up meetings.

Scope of Work: Under direction of R. Burcroft, Mr. LaCroix will conduct financial analyses of representative grain bureau enterprises, aiming to assess current financial position, projected financial viability consequent to grain price unification, price deregulation (where applicable) and onset of Government's program for enterprise reform. The analysis will be grounded in a review of the enterprises' standard financial statements, viz. balance sheets, income statements and cash flow statements. For each enterprise visited by the policy team, LaCroix will attempt to construct—within the limitations of available information—a set of simple financial performance indicators for 1990, 1991 and 1992, including efficiency indicators (sales/inventory, assets/sales, sales/net working capital), liquidity or solvency ratios (current ratios and current liabilities/net worth), and measures of profitability (return on sales, return on assets). Projections will then be made over a five or ten year period under various assumptions about (a) enterprise adaptation to the introduction or deepening of price, marketing and enterprise reforms, (b) the assumption by new government agencies of pension and other social programs currently shouldered by some enterprises, and exposure of the enterprises to competitive pressures, and (d) trends in enterprise capitalization, financial structure and viability as they assume responsibility for own profits, losses, capitalization and financing. In carrying out these TOR, care must be exercised to convert socialist accounting conventions, as utilized in the enterprise financial statements, to more acceptable international standards.1

Sample Enterprises: In Changsha and Anshan, the analysis will focus on (a) county level grain bureau enterprises responsible for grain procurement from the farm level, and (b) (if time permits) accounts from an enterprise responsible for intermediate handling and storage and/or urban distribution. In Shanghai, the analysis will focus on the Shanghai Seagull Fermentation Corporation, an enterprise owned by Shanghai's Municipal Grain Bureau, now in the midst of "corporatization" under the provisions of China's enterprise reform laws. In Nanjing, the analysis will highlight current financial performance and possibilities for the apex enterprise in Jiangsu responsible for all provincial level enterprises involved in handling, storage and processing.2

Final Report: The final report will consist of (a) an overview of findings and recommendations, focusing on the financial viability of the sample enterprises and their prospects for survival in a more commercialized, competitive environment, supported by (b) detailed write-ups (in the form of case studies) of the several enterprises which LaCroix will visit.

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1 If possible, sample indicators will be computed for enterprise accounts order by either convention, in order to demonstrate the biases inherent in the current accounting techniques (which create an illusion of greater profitability).

2 Assuming that a corporation has already been created. Otherwise, on sample accounts from a large intermediate storage/handling enterprise.
The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: November 19, 1992 10:49am

TO: Alan Piazza  
TO: Weiguo Zhou  

FROM: Richard Burcroff II, AGRAP

EXT.: 30366

SUBJECT: China GDMP Appraisal: Suggested TOR for LaCroix

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( JOSEPH GOLDBERG )  
( ALBERT NYBERG )  
( YOULAN ZOU @A1@CHINA )  
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