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ADVISORY AND TRAINING PROGRAMME IN PROJECT APPRAISAL,
FINANCIAL ANALYSIS AND BANKING TECHNIQUES FOR OFFICERS
OF INDUSTRIAL DEVELOPMENT FINANCE INSTITUTIONS ✓

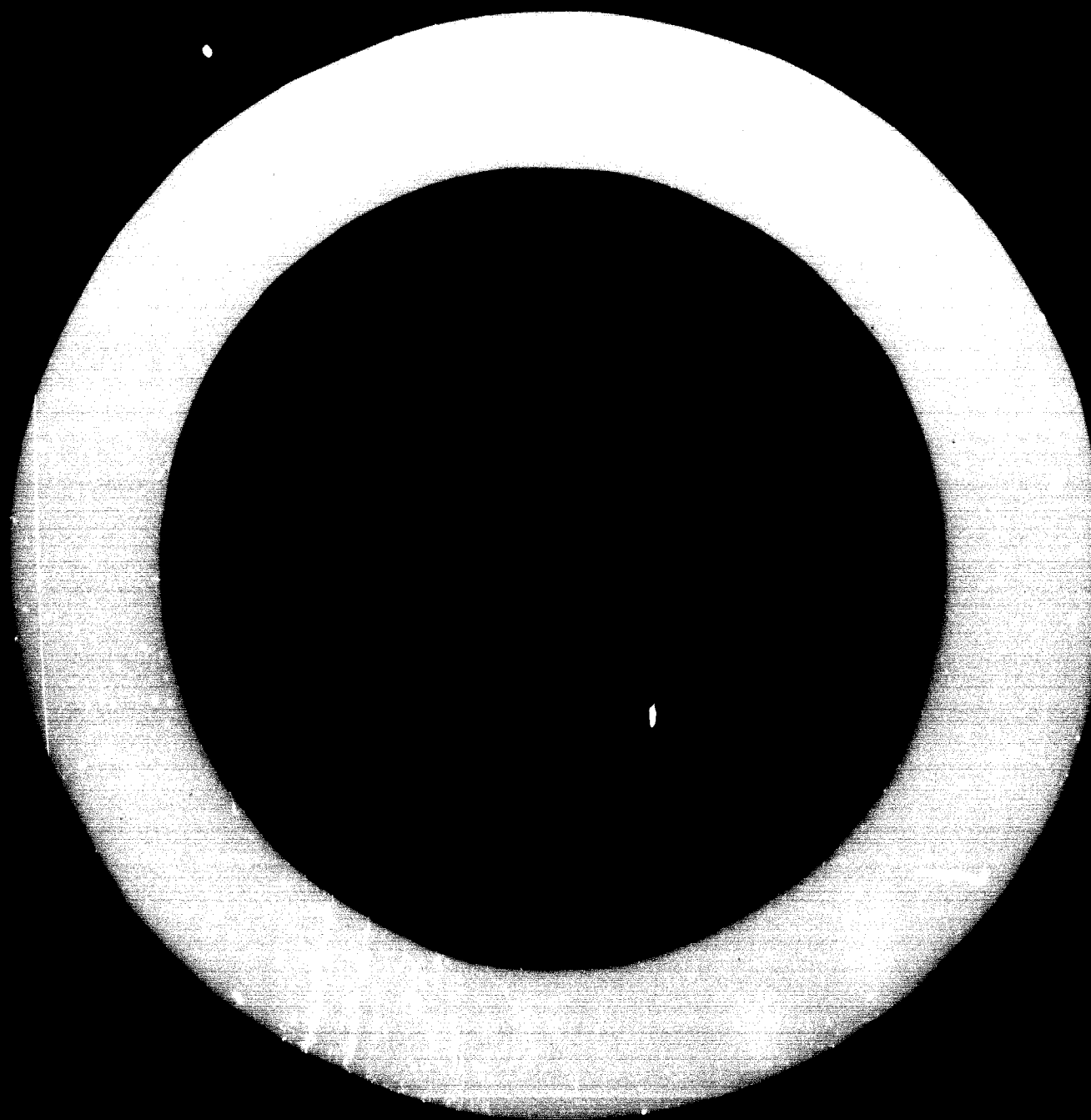
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Industrial development finance institutions play an important role in the industrialization process of developing countries, accounting in many countries for the establishment of over fifty per cent of all new industries. The financial, technical and managerial activities of these institutions have made the biggest impact on industrialization as compared with all other types of incentive measures. It has often been said that while the commercial banker has to be "security minded", the industrial development banker must be "project minded". Unlike commercial banks, for which earnings are the main test of economic efficiency, industrial development banks cannot base their investment decisions on this single factor, as banking and development criteria have to be considered simultaneously. And development criteria, amongst others, include also "risks" connected with the future of the project's performance, the much longer duration of loans than is usually the case with commercial bank loans, the often meagre security of only a mortgage on assets, market fluctuations and others.

In support of this important role of industrial development finance institutions in developing countries, UNIDO, since its inception, has provided assistance in the form of technical advice to management for the improvement of operational efficiency and the organization of regional or subregional workshops and seminars for the training of individual staff members, as well as the granting of overseas fellowships. This assistance programme has so far been carried out on a limited scale because of the cost involved and also of the fact that only a few officials assigned to key functions in these institutions could be released by their management for training abroad.

TRAINING COURSE

Over the last few years, the techniques for the assessment of facts, required to make up a thorough project appraisal report have advanced considerably and UNIDO, in its endeavour to assist industrial development finance agencies in the task, has devised a new advisory and training programme by which all officers of the operations department of an institution will be acquainted with the methods of assembling the most important data, their analysis and the forecasts of such a report.

To make the benefits of the UNIDO training program in project appraisal and financial analysis available on a broader level, namely to all officers of a financial institution in a given country, UNIDO will organize, as from 1973, mobile teams, each consisting of two qualified banking experts, namely an economist and a financial analyst, who will hold six-week courses right in the place of the institutions. The lectures will be given in the first two working hours in the morning, thus hardly interfering with the normal work of the staff, and the experts will devote the afternoons to advisory services to management on various banking and organizational problems.

The training course will be conducted from the basic approach of building up, step by step, a typical project appraisal report, emphasizing at each step the ways and means to ascertain as correctly as possible the facts and figures required for an unbiased appraisal and to explore eventual alternatives. A copy of the sample report, as prepared during the training course, will then serve each operations officer as a guide in his future work.

COVERAGE OF THE COURSE

Subjects to be covered by the course and which also form the sub-headings of an appraisal report shall be as follows:

- "Introduction" and objective of project;
- History of past operation (if any), reputation and financial standing of sponsors, capability of management;
- Description of project (location, capacity etc.);
- Economic Justification (Foreign Exchange Benefit, Contribution to GNP, Investment Criteria, Employment Benefits);
- Facilities for the implementation of the Project (Manufacturing Process, Land, Building, Machinery and Equipment, Raw Materials, Essential Services, Staff and Labour, Technical Co-operation, Construction Schedule);
- Market (Present and Future Demand, Selling Prices, Local Production, Imports, Prices of Raw Materials, Marketing Arrangements, Export Possibilities);
- Cost of Project;
- Cost of Goods Manufactured;
- Means of Finance;
- Debt-Equity Ratio;

- Profitability;
- Debt-Service Coverage;
- Break-Even Point;
- Cash Flow;
- Balance Sheets;
- Recommendation.

ADVISORY SERVICES

The UNIDO experts will, on the request of management, investigate the working of other departments or sections of the institution, to ascertain the possibility of improvements in organization or methods employed and make their recommendations to the Chief Executive. The implementation of these recommendations which will however remain the responsibility of management, may where necessary lead to technical assistance requests for experts for longer periods of service with the institution.

Among the specific areas to be examined by the experts and on which recommendations could be made are:

- Loan application form and procedure
- Verification of data given in loan application
- Loan sanction procedure
- Covenants of loan agreement
- Loan follow-up (inspection, reports)
- Statistics and others.

IMPLEMENTATION OF THE PROGRAMME

This advisory and training programme is directed primarily towards those small and medium-size development finance institutions which have not been able to establish their own in-service training for the younger and less experienced staff. To avail themselves of the opportunity offered by the UNIDO advisory and training programme, development finance institutions may ask their Governments to submit an official request to UNIDO through the Office of the United Nations Development Programme. In the implementation of the

Programme UNIDO will seek the co-operation and collaboration of the more advanced development finance institutions with a view to obtaining on temporary basis the services of some of their senior staff to participate in the teaching programme.

Additional information on the Programme can be obtained from:

The Industrial Financing and Investment Promotion Section
United Nations Industrial Development Organisation
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