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ENGLISH

REGIONAL EXPERT GROUP MEETING FOR [illegible] EVALUATION OF
[illegible] INDUSTRIAL INVESTMENT PROJECTS [illegible] COUNTRIES 1/

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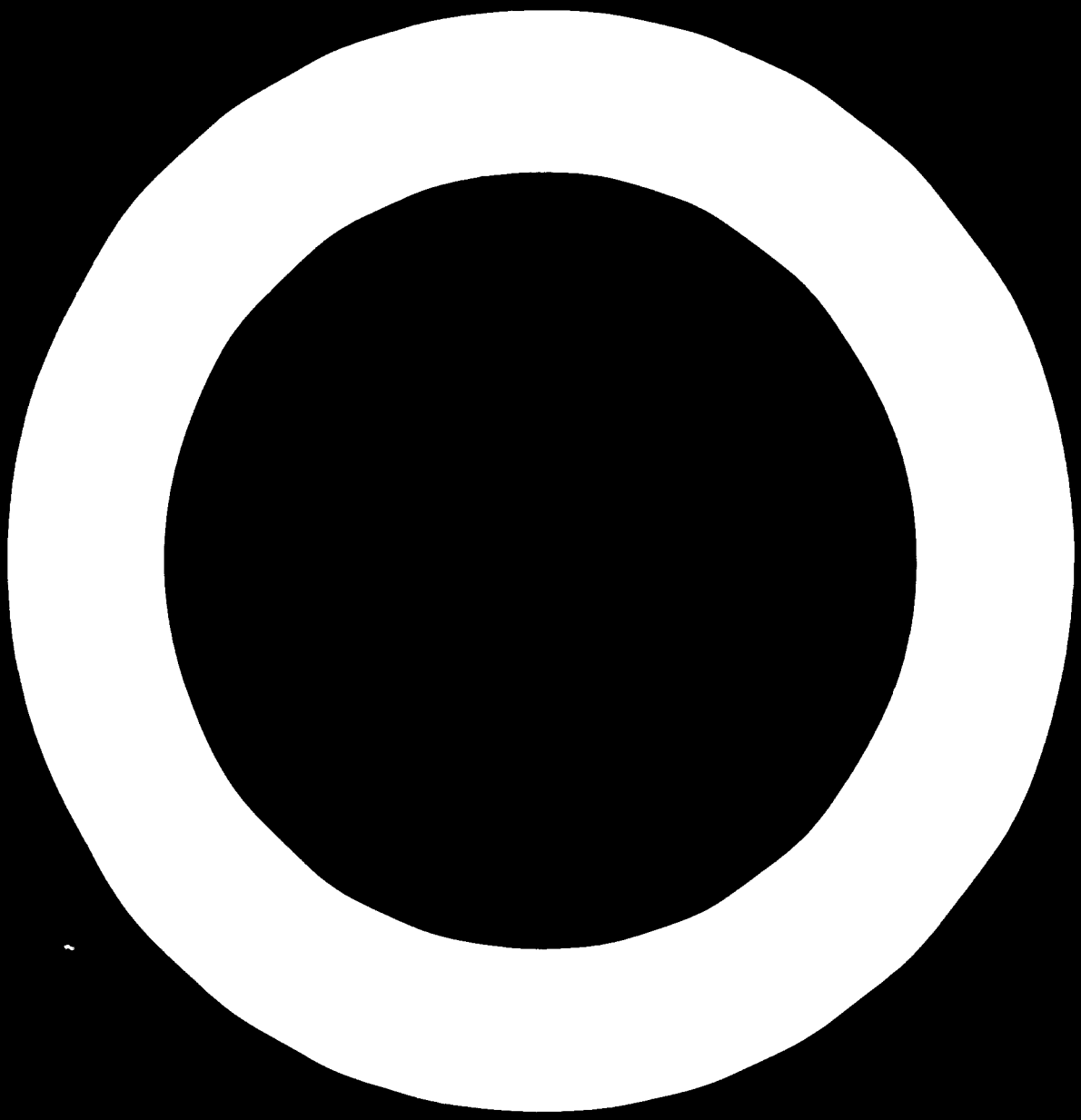

I. Introduction

The Regional Expert Group Meeting for Testing the Manual for Evaluation of National Industrial Investment Projects in Arab Countries was held in Cairo from 2[illegible] January to 1 February 1976.

The objective of the Meeting was to review the final draft of the Manual for Evaluation of National Industrial Investment Projects with special emphasis on practical applicability, completeness and suitability to the prevailing conditions in Arab countries, and to take into consideration all relevant recommendations for improving the Manual before releasing it for publication and practical application.

The final draft of the Manual was sent before the Meeting to selected high level experts on project evaluation from the Arab region to enable them to study it and prepare comments for the Meeting.

The Meeting was organized jointly by UNIDO and IDCAS.

II. Organization of the Meeting

Agenda

The meeting was opened at 17.0[illegible] on 2[illegible] January 1976 in the conference area of the Arab League Headquarters in Cairo. Opening statements were delivered by Mr. Azzati, Acting Director General, IDCAS, and Mr. Angelov, International Centre for Industrial Studies, UNIDO. The meeting elected Mr. Angelov as Chairman and Mr. Sah, UNIDO expert at IDCAS, as Rapporteur.

The work programme of the meeting comprised sessions held every day except Friday between 9.30 and 14.30. The work programme is attached as Annex 1.

Participants

High level experts on project evaluation from different Arab countries and regional Arab institutions attended the meeting along with the group of experts who drafted the Manual:

1. Mr. Abdel Karim Hilmi, Director, Technology Division, IDCAS
2. Mr. Mohamed Helal, Acting Director, Economic Division, IDCAS
3. Mr. Raafat Shafit Bessada, Arab Planning Institute, Kuwait
4. Mr. Jaafar Abdel Ghani, Deputy Director, Industrial Department, Ministry of Planning, Iraq
5. Mr. Ahmed Amin Ibrahim, Ministry of Planning, Egypt
6. Mr. Rafik Ahmed Sewelem, Senior Economist, Programming Division, Arab Fund for Economic and Social Development, Kuwait
7. Mr. Mostafa El Said Ibrahim, Associate Professor, Faculty of Economics, Cairo University, Egypt
8. Mr. Mohamed Said Ali, Director General, Spinning and Weaving Corporation, Sudan
9. Mr. Moheiddin El Ghareeb, Director of Projects, Abu Dhabi Fund for Arab Economic Development, Abu Dhabi
10. Mr. M. A. Loutfi, UNCTAD, Geneva
11. Mr. Fawzi Riad Fahmy, Director of Industrial Sector, Institute of National Planning, Egypt
12. Mr. Ali Ismail El Embabi, General Manager, Research and Project Evaluation Department, U.A.E. Development Bank, Abu Dhabi
13. Mr. P. C. Sah, Minist[illegible] f Planning, India
14. Mr. N. N. Agrawala, UN Expert in Iraq
15. Mr. A. S. Khalil, Head of Sector of Production, Central Auditing Organization, Egypt
16. Mr. M. El Arawady, Vice-President, Price Planning Agency, Egypt
17. Miss Saadia Montaser, Assistant Professor, Faculty of Commerce, Ain Shams University, Egypt
18. Mr. W. Hammel, Director, Economic Department, Kreditanstalt fuer Wiederaufbau, Frankfurt, F.R.G.
19. Mr. J. Bendekovic, Head of Department for Microeconomics, Ekonomski Institut, Zagreb, Yugoslavia
20. Mr. M. Ostrowski, Deputy Director, Institute of Planning, Warsaw, Poland

III. Conclusions and Recommendations

After having carefully examined the final draft of the Manual, prepared by a group of experts recruited by IDCAS and UNIDO, the expert group meeting found that:

1. The initiative of IDCAS and UNIDO to prepare a Manual for Project Evaluation in Arab Countries is highly appreciated. The overall assessment of the final draft of the Manual is positive.

2. The Manual provides an operational approach for evaluation of investment projects taking into account the prevailing conditions in different Arab countries in terms of skills of project evaluators, data availability, practical experience, resource endowments, etc.

3. The Manual recommends a set of criteria, which on the one hand makes the approach operational, applicable, and on the other appropriately accommodates multiple national objectives at a project level.

4. The Net National Value Added criterion advocated by the Manual as a basic criterion is theoretically well-justified and applicable in practice. This criterion adequately measures the actual contribution of an investment project to the increase of the present and future national welfare.

5. The Manual recommends appropriate operational methods for evaluation of new investment projects, modernization/expansion projects and industrial complexes as well as for measuring some indirect effects of an investment project.

6. The Manual's approach in advocating basically the use of actual market prices for inputs and outputs with some indispensible practical adjustments as well as the use of a limited number of national parameters with simple methods for their derivation is a realistic one. The proposed methods are conceptually well justified and applicable in practice.

7. The operational step by step approach of the Manual is applicable to all Arab countries. For that purpose, on the basis of the methodology provided by the Manual, the competent agencies of each country should compute the numerical values of the national parameters, specific procedures for price adjustment and [illegible] details to reflect the national accounts, taxing, costing regulations and other particular conditions of a country.

The Manual provides a solid fundament for drafting specialised sectoral manuals. The Manual could be applicable to other developing countries as well.

8. The Manual rightly and usefully suggests a set of model tables for the essential minimum of data to facilitate the evaluation of an investment project.

9. The Manual rightly emphasizes the importance of carrying out uncertainty analysis and recommends some simple operational techniques to this effect.

10. The mode of presentation of the case study on a urea fertilizer plant is appropriate and conveniently illustrates the application of the step by step approach suggested by the Manual.

The Expert Group felt that [illegible] further improvements in the Manual may help to make it even more operational, practical and reflecting better the prevailing conditions in the Arab countries. To this end, the Expert Group recommended to IDCAS and UNIDO the following:

1. To develop either in the Manual or through case studies to be prepared in the near future some practical instructions for evaluation of projects from mining industries and particularly oil extracting industry, as well as of agro-industrial and petro-chemical complexes applying the methodology of the Manual.

2. To provide more specific instructions concerning the application throughout the economic life of constant prices of inputs and outputs, constant social rate of discount, constant adjusted rate of foreign exchange for the purposes of project evaluation.

   To emphasize the importance of possible future changes in relative prices and their implications.

3. To rearrange the presentation of formulae B.7 to B.11. Formula B.7 to be based on Net Domestic Value Added, since it is too difficult to forecast the repatriated payments at the early stages of project formulation. Formula B.11 to be deleted.

4. To provide a clearer definition of the term "expatriates", taking into account the specific conditions in the Arab region.

5. The minimum rate of international competitiveness should be considered as a normative only and not a national parameter. More specific instructions to be provided when to use actual rate of foreign exchange and adjusted rate of foreign exchange.

6. To be more specific with regard to the choice of a social rate of discount from among the spectrum of interest rates on the relevant world capital market, concerning the periodic revision of the adopted SRD, the time horizon, etc.

7. To explore the possibilities for further simplification of probability analysis. To emphasize more the application of uncertainty analysis with regard to possible future changes in prices of inputs and outputs, social rates of discount, adjusted rates of foreign exchange.

8. To elaborate the scheme for the evaluation summary, providing additional instructions for its compilation, making the language more suitable for policy makers, providing flexibility in its use, etc.

9. In addition to the above, the Expert Group submitted also a number of other less important observations, related to precision, clarity, simplicity, working, which should also be taken into consideration in the final editing of the Manual.

The chairman is entrusted with incorporating the above recommendations into the final draft of the Manual.

On the basis of the above findings, the Expert Group recommends to IDCAS and UNIDO the following:

1. To publish the Manual as early as possible in Arabic (by IDCAS) and in English and French (by UNIDO)

2. To undertake an extensive follow-up action on the dissemination of the Manual throughout the Arab region by holding regional, sub-regional or national training workshops on the application of the Manual. The relevant regional institutions should be invited to co-operate in the implementation of this programme.

3. To assist the Arab countries through advisory missions or other convenient ways and means in calculation of national parameters, selection of the most appropriate set of criteria for a country, specific procedure for price adjustments, as well as in drafting national and specialized sectoral manuals on the basis of the methodology recommended by this Manual. The co-operation of the relevant regional institutions to this effect would be highly desirable.

4. To hold a meeting of high level Arab and non-Arab experts on project evaluation during 1977 to appraise the experience in the actual implementation of the Manual and the lessons to be drawn from it.

4. To accelerate the completion of the Manual for Project Preparation being prepared by UNIDO.

6. To draft a Manual on Project Implementation for Arab Countries.

7. As a further step of this Manual, to prepare a Manual for Evaluation of Regional Multinational Investment Projects in the Arab Area. The Multinational Manual should provide an operational approach for measuring the benefits and costs of such projects and the socio-economic impact on individual participating countries, on the group of participating countries as well as on the Arab world as a whole. The

Manual should also develop an appropriate operational methodology for evaluation of joint ventures between Arab countries and developed countries. The co-operation of the relevant regional institutions in drafting this Manual would be desirable.

Finally, the Expert Group extends its gratitude to the authors of the Manual as well as to IDCAS and UNIDO for organizing this Meeting.

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[illegible] January	
[illegible]	[illegible]
[illegible] January	
[illegible]	[illegible]
[illegible]	Break
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[illegible] January	
[illegible]	[illegible]
[illegible]	Break
[illegible]	National Profitability Introduction and Price Adjustments
[illegible] January	
[illegible]	National Profitability Value Added Criterion
[illegible]	Break
[illegible]	National Profitability Additional and Supplementary Indices
[illegible]	Lunch
[illegible] January	Off
31 January	
[illegible] – 12.00	National Profitability (National Parameters
12.00 – 12.30	Break
12.30 – 14.30	Project Evaluation under Uncertainty
18.00 – 20.00	Case Studies General Recommendations
1 February	
[illegible].30 – 12.00	Review of the Recommendations
12.00 – 12.30	Break
12.30 – 14.00	Review of the Recommendations (cont.)
14.00 – 14.30	Closing Session

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