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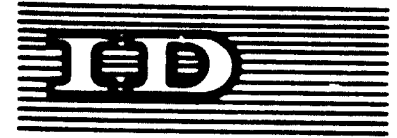
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Expert Group Meeting on Evaluation and
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Vienna, 4-8 December 1978

REPORT,

id. 79-1028

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INTRODUCTION

1. The Expert Group Meeting on Evaluation and Follow-up of Feasibility Studies in Selected Least Developed Countries, organized by the United Nations Industrial Development Organization (UNIDO), was held at Vienna, from 4 to 8 December 1978. Its main purposes were:

(a) To exchange experience on problems and achievements to raise the quality of feasibility studies;

(b) To make a critical review of existing feasibility studies and identify constraints in order to advance them to the investment stage;

(c) To examine existing and potential machinery and systems for generating and following up industrial projects in order to strengthen such capabilities in least developed countries (LDCs).

2. English-speaking experts from LDCs and observers from international financial institutions and consulting firms participated in the Meeting (annex I).

RECOMMENDATIONS

3. The Meeting made the following recommendations for concerted action at national and global levels within the framework of the objectives and principles of the Lima Declaration and Plan of Action.

(1) Effective measures should be taken at national levels to upgrade the skills and machinery for project identification, design and follow-up to eliminate difficulties and deficiencies in those areas.

(2) In LDCs a separate industrial project planning department should be established, if necessary, within the existing administration. If a new institution is required, assistance should be requested from UNIDO based on the experience of the establishment of similar institutions in developing countries.

(3) UNIDO should disseminate the information on approach and methodology contained in the Manual for the Preparation of Industrial Feasibility Studies by conducting training workshops at national levels in LDCs.

(4) International assistance is required in publishing national manuals for industrial project preparation and evaluation based on experience gained during the workshops. Efforts should be made to avoid the duplication of such manuals.

(5) Standard terms of reference for commissioning foreign consultants for industrial feasibility studies should be prepared, in co-operation with UNIDO, in each LDC.

(6) The UNIDO roster of consulting companies should be made available, upon request, to the LDCs. UNIDO should also assist the LDCs during the process of evaluation of offers.

(7) To upgrade national capabilities in project planning, national personnel should work closely with foreign consultants. Such participation should be stipulated in the relevant contracts.

4. The assistance of UNIDO would be required for revising and updating obsolete feasibility studies to ensure their bankability.

5. UNIDO is requested to initiate a system of exchange of information among LDCs in the area of industrial project preparation and implementation.

I. ORGANIZATION OF THE MEETING

6. The Deputy Director of the Industrial Operations Division of UNIDO opened the Meeting with an address delivered on behalf of the Executive Director. He referred in his statement to the objectives of the Lima Declaration and Plan of Action on Industrial Development and Co-operation, emphasizing the role of pre-investment studies in attaining the target of increasing the share of the developing countries in the world's industrial production to at least 25 per cent by the year 2000. (PI/38).

7. The Meeting elected M.S. Hassan, Director, Technical Department, State Planning Commission (Somalia), as Chairman; M.H. Siddique, President of Planning, Ministry of Mines and Industries (Afghanistan), was elected Vice-Chairman; and M. Said Ali, Director of the Sudan Spinning and Weaving Corporation (Sudan), was elected Rapporteur.

8. The Meeting agreed to discuss the following topics:

- (a) Quality aspects of feasibility studies;
- (b) Review of systems, skills and machinery for project design and follow-up;
- (c) Co-operation between developing countries in preparation for pre-investment studies and investment follow-up.

II. SUMMARY OF THE DISCUSSION

Quality aspects of feasibility studies

9. The discussion focused on the quality of implemented feasibility studies with reference to the Manual for the Preparation of Industrial Feasibility Studies, recently published by UNIDO.^{1/}

10. The clarification of the terminology concerning pre-investment studies advocated by the Manual was found acceptable and the distinction between different types of pre-investment studies, i.e., opportunity studies, pre-feasibility studies and fully-fledged feasibility studies was accepted.

11. It was generally agreed that many feasibility studies undertaken in the past that had not been implemented were in many respects deficient and did not provide an adequate basis for making an investment decision. After a careful review of the specific reasons and constraints that led to the preparation of deficient feasibility studies in particular countries, it was stated that the most serious were:

- (a) Lack of adequately qualified national staff in LDCs in industrial project preparation and evaluation;
- (b) Conceptual differences as to the nature of project studies owing to the lack of appropriate guidelines;
- (c) Poor terms of reference and guidelines provided to consultants;
- (d) Poor performance of consultants owing to the wrong candidates being selected and a lack of appropriate monitoring of their progress;
- (e) Lack of adequate data for consultants.

12. The Meeting devoted particular attention to the problem of raising the quality of pre-investment studies and made the foregoing recommendations in order to ensure a better quality of studies to be conducted in the future.

Review of systems, skills and machinery for project identification, design and follow-up

13. The main difficulties and deficiencies in those areas were identified as the lack of:

- A systematic approach to project identification
- Continuous monitoring
- Continuity of staff

^{1/} United Nations publication, Sales No. 78.II.B.5.

Sources of data

Communication between departments

Ability to analyse resource surveys

Ability to negotiate with consultants

Staff

Industrial experience

A coherent and clear policy for analysts

Separate and autonomous organizations

Securing interested investors and promoters at an earlier stage of project planning.

14. It was recognized by the Meeting that the proposed use of the Manual would contribute to the elimination of some of these difficulties by:

(a) Promoting a more systematic approach to project identification and preparation;

(b) Indicating the considerable work involved in carrying out full feasibility studies and the need to eliminate least likely opportunities at an early stage;

(c) Appreciating the contribution that can be made by regional, sectoral and resource surveys.

15. Another difficulty to which the Meeting gave considerable attention was that of locating appropriate sources of information, which in particular, meant finding suitable consultant firms, and negotiating terms of reference.

16. The Meeting referred to that and stressed that the problem goes deeper insofar as inadequate attention is given by the authorities concerned to determine what the problems are that the consultants are hired to solve. The inadequate staff resources frequently make it extremely difficult to provide counterpart staff, which is not in itself a possible threat to the successful implementation of the project.

17. The Meeting suggested that UNIDO examine both the provision of short-term expertise and the use of the UNIDO Industrial Technological Information Bank for technologists and contracts.

18. The Meeting recognized the importance of having a separate department or institution for industrial project planning to ensure that:

(a) The continuous monitoring of project opportunities and project information could be maintained;

(b) A build-up of experienced and specialist staff could be achieved;

(c) Separation of project work from the administrative routines of government offices be achieved to permit greater concentration and urgency in dealing with project work.

19. Any remaining difficulties should be tackled by the countries concerned; it is reasonable to expect that methods can be developed to ensure reasonable communication between all departments.

Annex I

ATTENDANCE LIST

Participants

Afghanistan

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M. Hashim Siddique
President
Afghan Institute of Management

Bhutan

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Industrial Development Corporation

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Director
Investment Department
Ministry of Industry

Salem Ahmed Musawa
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Investment Department

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Industrial Service Centre

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United Republic of Tanzania

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Ministry of Industry

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Sector Manager
National Development Corporation

Observers

Pimenta-Bueno (Brazil)
Mordes (Poland)
Lindström (Sweden)

Consultants

D.K. Rosati
C. Ludlam

Secretariat of the meeting

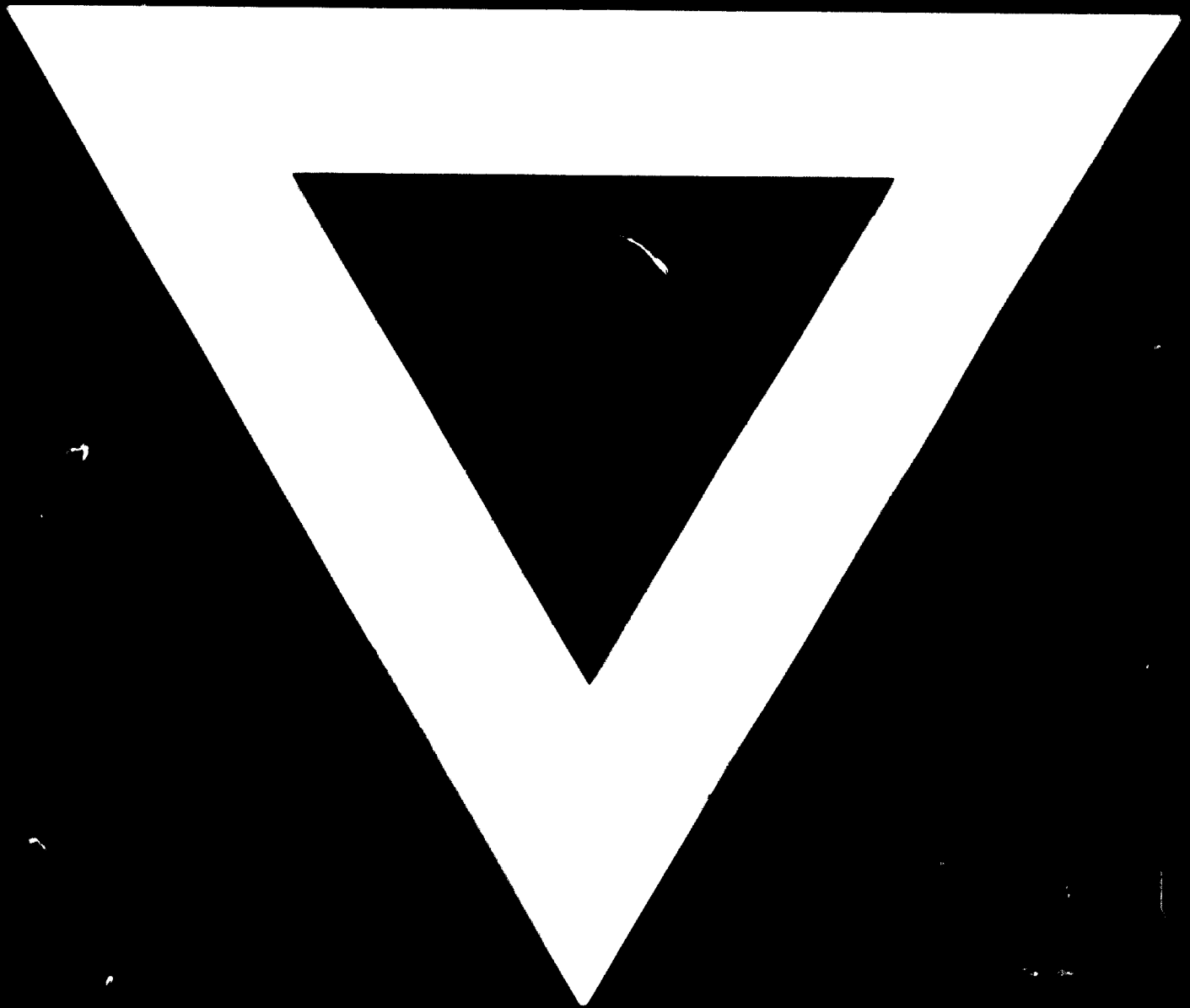
R. Aguilar-Bolanos
W. Behrens
K. Loth
W. Oettinger

Annex II

LIST OF DOCUMENTS

- ID/WG.289/1 Country paper on Nepal
 B. Joshi
- ID/WG.289/2 Country paper of the Democratic Republic of Afghanistan
 M.G. Gulam Fahimi and M. Hashim Siddique
- ID/WG.289/3 Country paper. Somali Democratic Republic
 O. Hersi and M. Sheik Hassan
- ID/WG.289/4 Evaluation of country risks in the loan granting
 decision making process. Problems of banking requirements
 for granting loans for industrial projects in developing
 countries
 Dariusz K. Rosati
- ID/WG.289/5 Difficulties encountered in investment opportunities
 identification in least developed countries; ways and
 means of improvements
 C.G. Ludlam
- ID/WG.289/6 Industrial feasibility analysis in Malawi
 E. Nyirenda
- ID/WG.289/7 Country paper of feasibility studies in selected developed
 countries on People's Democratic Republic of Yemen
 Salem Basabrain and Salem Musawa
- ID/WG.289/8 Country paper of feasibility studies in selected least
 developed countries on United Republic of Tanzania
 T. Mworira and O. Ngamilo
- ID/WG.289/9 Country paper of feasibility studies in selected least
 developed countries on Sudan
 Omar Mohamed Abdel Salam and Mohamed Said Ali

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