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The logo of the Industrial Development Board (IDB), consisting of the letters 'IDB' in a stylized font with horizontal lines above and below.

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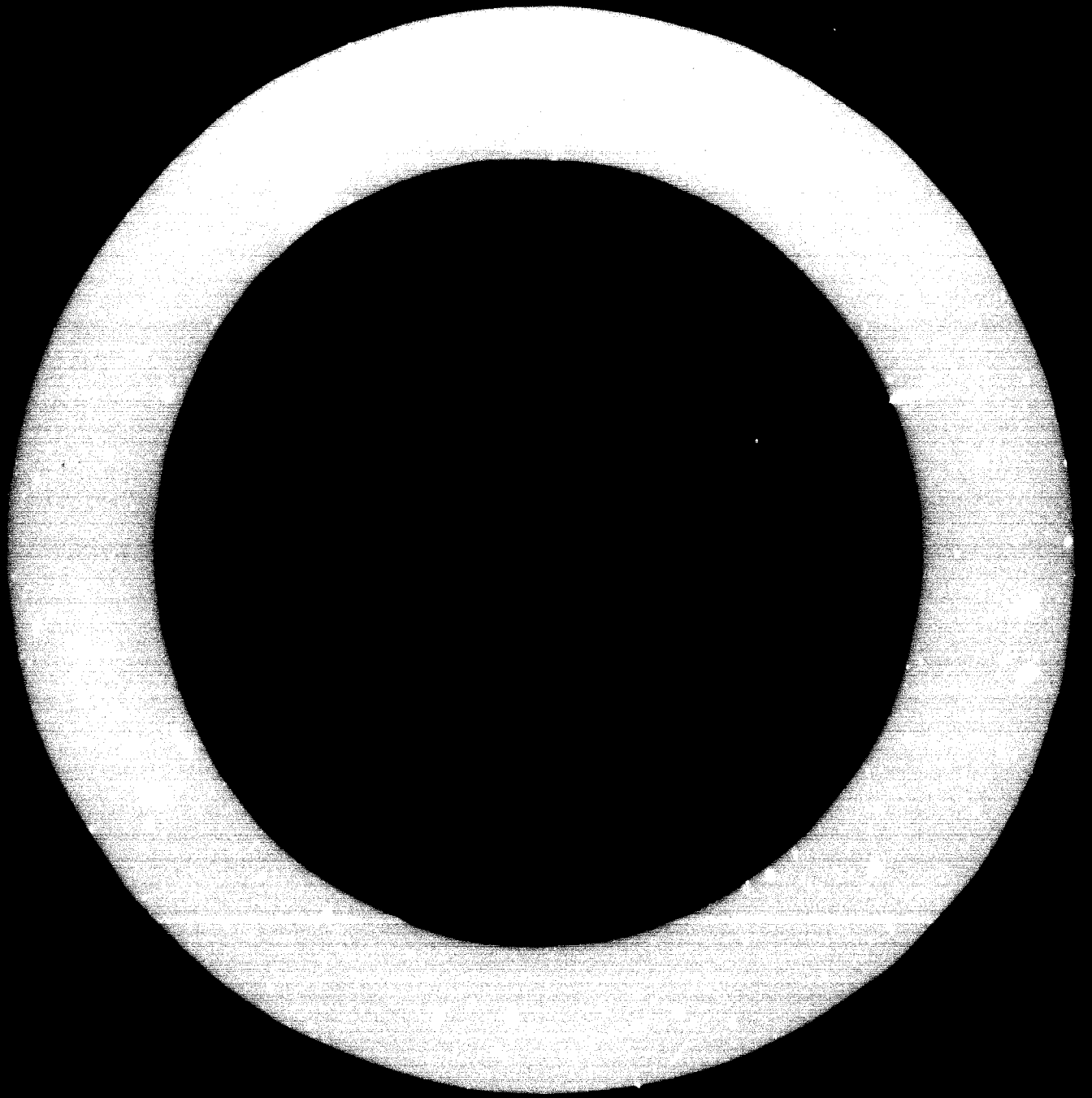
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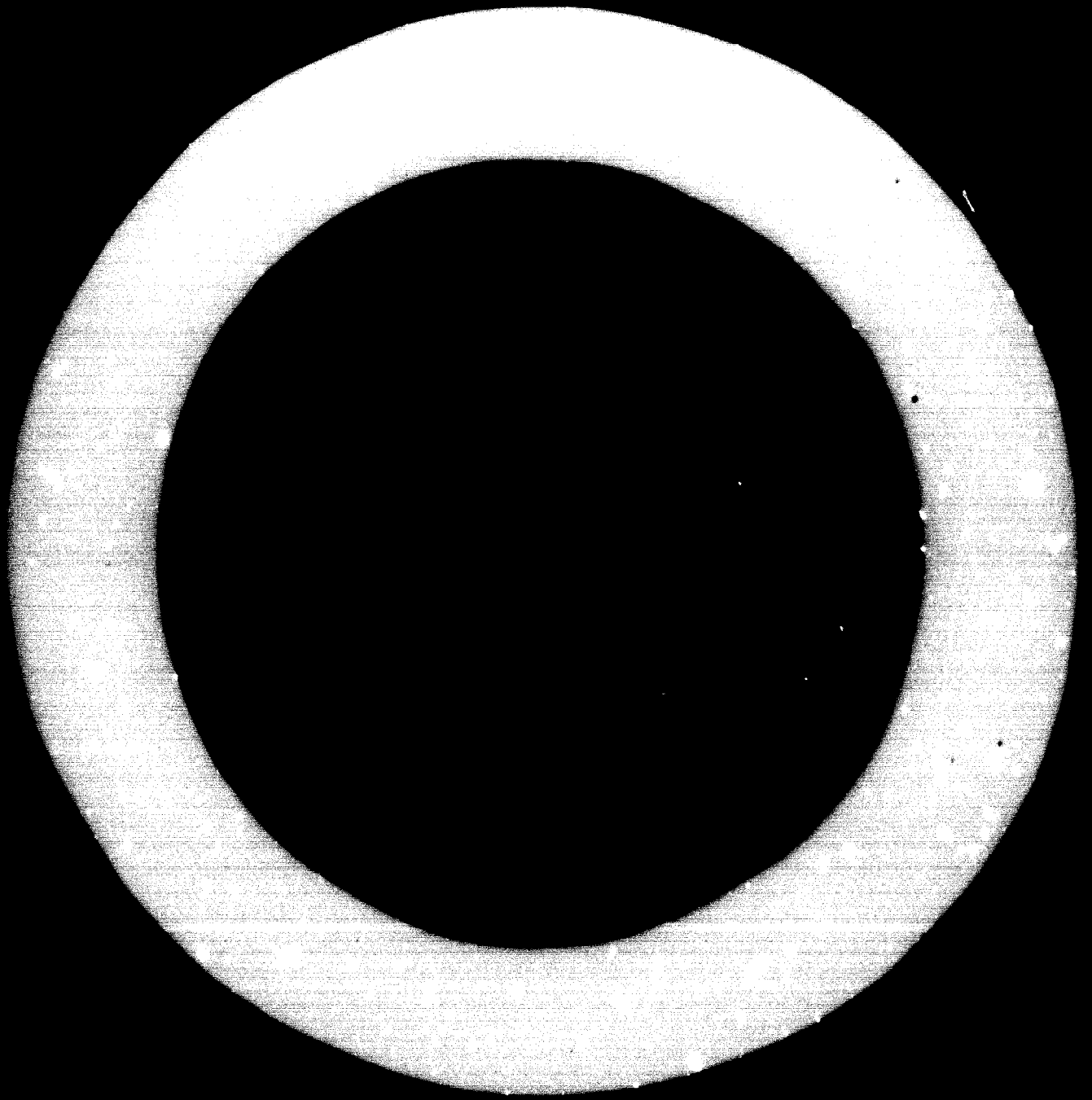
Agenda item 5c

**REPORT ON THE EVALUATION  
OF SELECTED ACTIVITIES OF UNIDO**

**ADDENDUM I**

**Evaluation report: Cyprus**





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## PREFATORY NOTE

1. This report has been prepared in accordance with the recommendations of the fifth session of the Industrial Development Board<sup>1/</sup> and of the Special International Conference of UNIDO,<sup>2/</sup> to the effect that UNIDO undertake jointly, with the Governments concerned, a regular evaluation of its activities in selected countries. The present report is based on a joint examination by the Government of Cyprus and UNIDO of the technical co-operation activities carried out by UNIDO in Cyprus from 1967 to 1971.

## INTRODUCTION

2. The Republic of Cyprus, with an area of 9,251 km<sup>2</sup>, has a population of 625,000; thus it has an average density of 67 persons per km<sup>2</sup>. In 1970 the per capita income was \$354, as against \$599 in 1965.

3. Cyprus gained its independence in August 1960, in the midst of an economic depression. The economy gradually recovered and recouped its growth momentum, but as a consequence of the political unrest in 1964 it experienced a new setback. This setback was overcome in 1965, and since that time Cyprus has enjoyed a steadily growing economy.

4. The foreign exchange reserves of the Central Bank of Cyprus at the end of June 1971 stood at £104.2 million, compared with £83 million in June 1970. On the agricultural scene, a record citrus production of 245,000 tons was achieved during the 1970/1971 season - an increase of 32,000 tons over that of the previous season. Viticulture also expanded substantially with an estimated production of 151,000 tons of grapes during 1971 compared with 165,000 tons in 1970. Following moves by other citrus producing countries, Cyprus is trying to secure lower import tariffs for citrus exports to the countries of the European Economic Community, within the context of an association agreement, in the hope that the island's citrus fruit will be accorded conditions similar to those given to the citrus fruit of other nations.

5. Although manufacturing industry presently accounts for only 12.1 per cent of the GDP, the rate of industrial growth achieved during the last few years is extremely promising. The manufacturing sector has achieved an annual growth rate of 8.1 per cent (1966 constant prices) and manufacturing industry, together with agriculture and tourism, is destined to become one of the mainstays of the development effort. During the Third Five-Year Development Plan, an increase

<sup>1/</sup> Official Records of the General Assembly, Twenty-fifth Session, Supplement No.16, document A/5516, para.231.

<sup>2/</sup> General Assembly Resolution 1970(XV), para.1(p), document A/5511/Rev.1.



of 1.7 per cent in the contribution of the manufacturing industry to the GDP from 1968 to 1969, 1.1 per cent. In an effort to stimulate local industries, the Government introduced a new tariff changes in February 1970. Activity in the mining industry, which is one of the country's main sources of income, remains stable.

6. The tourist industry, which has become one of the cornerstones in the development of the island's economy, goes from strength to strength. In 1970, the tourist trade increased by 7.3 per cent over the previous year, and it is estimated that earnings in 1970 rose to £8.1 million as compared to £7.7 million in 1969, emphasizing the importance of this industry as an earner of foreign exchange.

7. Despite the widening in the trade deficit shown in table 1 below, the over-all balance of payments continues in surplus, assisted by earnings from invisibles and the influx of capital from abroad.

Table 1  
Value of trade, 1967 to 1971  
(in millions of £)

	<u>Exports</u>	<u>Imports</u>	<u>Unfavourable balance</u>
1967	29.7	59.7	30.0
1968	36.9	70.9	34.0
1969	40.9	86.5	45.6
1970	45.2	93.2	53.0
1970 (Jan. - Sept.)	34.5	70.6	36.1
1971 (Jan. - Sept.)	36.6	78.4	41.8

**SUMMARY OF TECHNICAL CO-OPERATION BETWEEN UNIDO AND THE GOVERNMENT OF CYPRUS**

3. For several years, UNIDO has been active in Cyprus with a number of projects in various fields of the industrial sector. It is expected that UNIDO will increase its activities in the future years, in line with the government policy of industrial expansion.

9. As a result of the proximity of Cyprus to Europe, the language requirements and the excellent communication between UNIDO and the Ministry of Commerce and Industry through the UNDP Resident Representative in Nicosia, no difficulties have been encountered in the implementation of the various programmes. The experts that UNIDO has provided are of very high quality and the Government has been gratifyingly quick to respond to the requests submitted.

10. During the recent visit to Vienna in June 1971 to attend the Special International Conference of UNIDO, the Minister of Commerce and Industry expressed his satisfaction with the way that UNIDO's assistance was being channelled to his country. On other occasions, Government officials have expressed their appreciation to UNIDO for providing assistance to the industrial sector of the country. They have voiced their support of the activities of UNIDO and indicated their desire to continue obtaining short and long-term technical assistance.

11. On the other hand, all UNIDO experts, during their debriefing in Vienna, expressed their satisfaction with the co-operation and hospitality they had received from the authorities in Cyprus and praised, in particular, their counterparts who were attached to them by the Government during the duration of their assignments.

12. The UNDP Resident Representative and his staff have made an important contribution to the operation of the UNIDO technical assistance programme in Cyprus by their quick action in dealings and negotiations between the Government of Cyprus and UNIDO. The presence of an Industrial Development Field Adviser has also been an important factor contributing to the implementation of UNIDO's activities in Cyprus.

13. It is difficult to assess the impact of UNIDO's assistance on the economy of Cyprus as most of the projects have been completed only recently. Recommendations by UNIDO experts have only lately been submitted to the appropriate authorities for consideration. However, it is believed that the contribution of UNIDO, within its limited resources, has been positive. A summary of the value of technical assistance projects carried out by UNIDO in Cyprus is contained in table 2 below.

Table 2

Value of technical assistance projects carried out by UNIDO in Cyprus, 1967 to 1971  
(in thousands of US\$)

<u>Source of funds</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
UNDP/TA	-	11.7	-	-	10.0
RF	-	3.9	-	14.2	15.3
SIS	11.5	-	11.4	0.4	71.1
FII <sup>a/</sup>	<u>9.0</u>	<u>12.8</u>	-	-	-
Total	20.5	33.4	11.4	14.6	96.4

a/ Swedish contribution.

14. In the following pages a description is given of each technical assistance project carried out by UNIDO in Cyprus indicating the field of activity and the status of implementation.



Industrial survey and programming assistance - SIC 70/112 (CYP-1) PART A

Request recorded: 10 November 1969  
Approved by UNDP: 13 April 1970  
Budget: \$47,000  
Team consisted of: Industrial economist (CYP-121-A)  
Industrial engineer (CYP-151-B)  
Market research economist and team leader (CYP-151-C)  
UNIDO staff member from Survey Section  
A mechanical engineer (CYP-111-A), in charge of the development project (RP/CYP/11/1/3; cf. page 7 below), also served with the team during these months.  
Duration: January through mid-May 1971

15. The period between UNDP approval and the sending of the team to Cyprus was utilized by UNIDO to organize the mission, find appropriate candidates and give the Cypriot authorities an opportunity to make the necessary arrangements.

16. The final report of the mission, a comprehensive document of 302 pages, was submitted to the Government on 15 September 1971. The major recommendations of the mission dealt with industrial policy considerations and the identification of industrial areas with potential for further development. The report endorsed the Government's announced shift from import substitution to export promotion and suggested that specific industrial policies might have to be revised in accordance with this shift. Reference was made to commercial policy, including tariff structure and drawback scheme, investment controls and licensing practices. The Cypriot industrial structure is changing rapidly and the Government will have to take steps to direct these changes along the lines of its planning objectives. Promising industrial projects were identified in several sectors, particularly in the food and beverage sector where the export potential is not fully utilized.

17. In October 1971, the Government published a summary of the report of the industrial survey mission with particular emphasis on the investment opportunities identified for the benefit of those contemplating an investment in industry. Some entrepreneurs are already implementing several of the projects identified. A number of policy measures recommended by the mission have been approved by the Ministry of Commerce and Industry and embodied in the Ministry's proposals for the Third Five-Year Development Plan, to be submitted shortly to the Planning Bureau for approval. The Third Five-Year Development Plan will also include several major industrial projects recommended by the mission. The Government intends to request the assistance of UNIDO in the preparation of detailed feasibility reports on these projects.

Industrial survey and programming assistance - SIC 70/112 (CYP-1) PART B

Budget: \$30,000  
Staff: Industrial economist (CYP-121-A)  
Duration: May 1970 to August 1971

In addition to taking part in the survey mission, the expert was assigned to the Ministry of Commerce and Industry in Niassa to undertake demand projections for major commodities, initiate and carry out feasibility studies for specific industrial projects and advise on the follow-up of the projects.

19. As his final report, the expert submitted a tentative outline for the Third Five-Year Development Plan for the country. In this report, which was submitted to the Government in August 1971, he described the country's past experience in industrial development and planning and incorporated those findings in his proposals for the new plan. The expert formulated a general industrial strategy in which the previous simple import substitution approach on a product basis was replaced by a more sophisticated priority on potential long-term growth industries. The instruments for analysing the economy and its development trends were described briefly, although it was realized that a more precise formulation of the strategy would be required prior to its application. In particular, central parameters for setting priorities and evaluating projects should be established.

20. The expert also described the various policy measures needed to implement the industrial programme and made recommendations as to their application. He examined the role of computer processing in the planning procedure and the introduction of network planning techniques in the implementation process and recommended that these two highly important subjects be followed up.

Exploratory mission to identify basic problems of  
the Food Industry - SIS 7C/1029 (CIP-13)

Request recorded:	15 July 1970
Approved by UNDP:	21 September 1970
Budget:	\$1,500
Staff:	Food industry expert (CIP-062-A)
Duration:	3 weeks

21. The expert was in the field in March and April 1971. His mission was very successful and in the short time of three weeks he produced one of the best reports that has been submitted to the Light Industries Section of UNIDO. His final report was submitted to the Government on 26 April 1971 and an addendum to the report was submitted on 30 August 1971.

22. The report contains a number of guidelines for the development of the food processing industry. The guidelines can be summarized as follows:

- The Government should limit, through licensing the number of food-processing plants so as to promote industries of a size suitable for modern processing methods;
- Standards should be established and enforced by law;
- The import laws should be reviewed and special measures taken to help local industry, especially with regard to the import of raw material;

- Foreign companies should be encouraged to establish their operations in Cyprus;
- Companies operating small-sized plants should be encouraged to merge in order to achieve better utilization of production and produce goods at lower costs with improved quality;
- The agricultural production of raw materials (veg. tables) should be reorganized in order to procure good quality produce especially for processing. As the expert stated: "Groups of small farmers or co-operatives in Cyprus should combine to grow the necessary crops";
- Production should be diversified in order to make better use of the existing capacity. With the available facilities, it should be possible to extend the production period by manufacturing items such as fruit sauces, hot sauces, salad creams and mayonnaises.

Small-scale industries development - RP CYP/11/2/3

Request recorded: 1970 UNIDO Regular Programme  
 Budget: \$18,000  
 Duration: 6 months; extension 3 months

23. The expert's final report, "A proposal for the establishment of an industrial extension service", was submitted to the Government on 12 October 1971. In this report, the expert recommended that the Industrial Extension Service Organisation be made an autonomous or semi-autonomous body under the sponsorship of the Ministry of Commerce and Industry. He also recommended that operations should begin on a moderate scale, with a minimum range of functions.

24. The findings and recommendations of the expert have already borne some fruit. The Government recently included the Industrial Extension Service as an area for UNIDO assistance within the Country Programme. The report will form the basis for the establishment and operation of an industrial extension service unit within the Ministry of Commerce and Industry and will be of guidance to UNIDO experts as well as to Government officials and agencies in Cyprus.

Preparation of call for tenders, evaluation of offers and final selection for an integrated wood-processing plant - SIS 70/722 (CYP-4 and CYP-10)

Request recorded: 7 October 1969  
 Approved by UNDP: 9 March 1970  
 Budget: \$30,000  
 Staff: Contract awarded to consulting firm in August 1970

25. This project requires the services of a consulting firm experienced in the elaboration of projects in the wood-processing industries and in the evaluation of offers to be provided to the Ministry of Commerce and Industry. The consulting firm is to assist in preparing a call for tenders and in evaluating the offers received for the establishment of an integrated wood-processing plant comprising a sawmill, joinery plant, particle board factory and box stock factory. Assistance is also to be rendered to the Government in all technical matters related to the final reception of the plant from the turn-key suppliers.

The consulting engineering company prepared a technical feasibility study for an integrated wood-processing complex comprising a sawmill, a particle board plant and a wood re-manufacturer as well as all auxiliary departments such as dry kilns and a preservation plant. The study incorporated relevant parts of a report on wood processing studies prepared by the expert of UNIDO for Cyprus and also of a preliminary study prepared by an independent expert financed by the Cypriot Government in 1969.

27. The report in Phase I also contains a detailed specification for the calling for tenders. The tenders should be received by the Cypriot authorities in the fourth quarter of 1971. The consulting engineering company is to implement Phase II (evaluation of the bids) towards the end of 1971 and submit its report to the Government early in 1972. Phase III will be implemented only upon completion of the erection of the plant.

28. The lapse of about one year between the submission of the request for the SIS project and the starting of implementation has resulted in a substantial increase in the estimated cost of machinery and equipment required for the plant. The Government would therefore like to express to both UNIDO and UNDP a wish for quicker recruitment and contracting procedures.

Assistance in export development - SIS 70/935 (CYP-12)

Request recorded:	3 February 1970
Approved by UNDP:	30 July 1970
Budget:	\$6,000
Duration:	3 months

29. The expert carried out this assignment from January through April 1971 and his final report was submitted to the Government on 18 May 1971. The report concentrates on the export problems and potential of the footwear and clothing industries in Cyprus. The expert recommended that urgent assistance be given in a number of areas, particularly with regard to the production of footwear and ready-made clothing and also in the field of export credit and export incentive.

30. On the basis of the expert's recommendations, the Ministry of Commerce and Industry has requested assistance in the footwear industry (UNIDO Regular Programme 1973) and in garment manufacture (UNIDO Regular Programme 1972). In its proposals for the Third Five-Year Development Plan the Ministry also intends to include an export credit scheme and other export incentives. The Country Programme for Cyprus includes a request for an expert to draw up legislation for an export credit insurance scheme and to assist in the establishment and operation of an export credit system.

Packaging survey mission - SIS 70/739 (CYP-11)

Budget:	\$400
Duration:	1 week

31. A UNIDO staff member from the Industrial Sector Development Section visited Cyprus from 12 to 17 February 1970 and recommended that an expert be assigned for a duration of two months

the Ministry of Commerce and Industry to give effect to the establishment of packaging promotion and quality control activities.

Survey on packaging - SIP 10/109 (CYP-1)

Budget: \$4,000

Duration: 2 months

32. The expert completed his assignment in October 1971 and submitted his report to UNIDO for evaluation. In his first progress report, however, the expert had already established his work, found a suitable counterpart and assessed the conditions and structure of Cypriot industry and its commerce. He also identified the needs for packaging promotion and quality control activities in the country.

33. In the light of discussions between the expert and senior officials of the Ministry of Commerce and Industry, the Ministry intends to implement the recommendations of the expert through an industrial extension service unit which is to be established shortly.

Industrial standardization: SIS 68/172 (CYP-3)

Request recorded: 13 May 1968

Approved by UNDP: August 1968

Budget: \$6,000

Duration: 3 months

34. The expert was in the field from 1 May 1969 to 31 July 1969. He examined the government system of industrial standards and qualifications for major groups of raw, semi-finished and finished products and the organizational set-up for the application of the system, including quality control facilities.

35. The Government recently requested UNIDO assistance through the Country Programme in setting up and initial operation of an industrial standardization unit, in conducting studies for the establishment of standard specifications, and in providing laboratory facilities for testing the conformity of products to specifications.

Garment manufacturing expert - RP CYP/66/2/1

Budget: \$15,000

Duration: 6 months

36. The request was received by UNIDO on 6 September 1971 and recruitment was initiated on 23 September 1971.



Exploratory mission to Dorina Paper Mill - SIS 71/1410 (CYP-16)

Request recorded: 12 April 1970  
Approved by UNIDO: 17 November 1970  
Budget: \$1,500  
Duration: 1 week

37. An expert visited Cyprus in May 1971 and his final report was submitted to the Government on 29 June. On 16 November 1971, the Government requested (reference SIS 71/1533 CYP-18) the services, for 6 months, of an expert in the production of tissue and wrapping paper to assist the management of the Dorina Paper Mill in correcting technical shortcomings and in putting the mill into normal operation.

Exploratory mission - industrial legislation adviser - SIS 71/1410 (CYP-16)

Request recorded: 14 July 1971  
Approved by UNIDO: 9 August 1971  
Budget: \$2,500  
Duration: 1 month

38. Staff for this activity is under recruitment.

Assistance to the Cyprus Forest Industries Ltd. - SIS 71/1427 (CYP-17)

Request recorded: 23 April 1971  
Submitted for approval to UNDP: 14 October 1971  
Budget: \$5,000  
Duration: 2 months

39. In connexion with SIS project 70/722 CYP-10, described on page 5 above, the government authorities require the services of an experienced engineer to supervise the dismantling and re-installation of sawmill equipment.

Senior adviser on industrial project evaluation - UNDP/TA CYP/70/5

Budget: \$30,000  
Staff: Senior adviser (CYP-122-A)  
Duration: 12 months

40. The expert started his work on 11 September 1971 under the aegis of the Ministry of Commerce and Industry. He has been assigned by the Ministry to the Cyprus Development Bank to perform the following duties:

- Evaluate specific industrial projects and advise on their bankability or what supplementary studies are needed to determine their bankability;
- Assist in the preparation of feasibility studies on industrial projects proposed for bank investment;



- Prepare a standard set of instructions that could be used in evaluating industrial projects;
- Provide on-the-job training for local counterpart staff in the evaluation of industrial projects.

41. The performance of the expert, within the terms of reference outlined above, are considered completely satisfactory by the management of the Cyprus Development Bank.

Senior industrial adviser - UNDP/TA CYP-71-1

Estimated budget: \$30,000  
Staff: Senior adviser (CYP-121-A)  
Duration: 12 months

42. As a follow-up of the work undertaken by the industrial economist on project 70/722 CYP-9 (cf. pp. 5 and 6 above), the Government of Cyprus requested a twelve-month post for a senior industrial adviser. The expert arrived in Cyprus on 29 October 1971.

43. The duties of the expert will include:

- Assistance in the finalisation of the industrial development programme, which he is also to check for consistency;
- Assistance in the co-ordination of the industrial development programme with other sector programmes and in the completion of the Third Five-Year Development Plan;
- Assistance in determining the legal, institutional, economic and financial measures necessary to implement the industrial development programme, especially in its initial year;
- Establishment of a system of reporting and advice on the necessary corrective measures for readjusting the programme to ensure its effective implementation;
- Formulation of feasibility studies and the planning and follow-up of the implementation of industrial projects, with special regard to project interrelations;
- Training of counterpart personnel.

Assistance in production management for the footwear industry -  
IP CYP/06/2/1 (1971)

Budget: \$12,000  
Duration: 6 months

44. The Government has submitted a request for the services of an expert in the footwear industry to advise on aspects of production planning, increased productivity and quality control.

Assistance in leather industry promotion

45. On 2 November 1971, the Government requested the services of a leather industry expert to appraise the situation of the entire industry, propose means of increasing the output of the tanning sector and of improving the quality of tanning and finishing in existing tanneries.



**16. 7. 74**