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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

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**PIPM TRAINING PROGRAMME
IN
PROJECT APPRAISAL - PART I**

ALMATY

27 May - 06 June 1996

M I S S I O N R E P O R T

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* This report has not been cleared with UNIDO and may not therefore necessarily represent the views of this Organization.

I. Project Background.

The Training Programme in Project Appraisal, organized under PIPM TACIS, will consist of 3 modules and span the period: May - July 1996. The first module, implemented between 27 May and 06 June 1996, concentrated on the introduction to investment project cycle, market analysis and technical analysis of the investment projects.

I.1. Objective.

The main objective of the Programme is to improve the skills of the group of officials from various government agencies, banks and other parastatal institutions in the application of the UNIDO methodology for investment projects' preparation, appraisal and implementation. Applications of UNIDO - developed software for financial and economic appraisal of the investment projects i.e.: COMFAR III Expert were also included in the Workshops' programme.

Elements of investment promotion are also envisaged by the Organizers to be incorporated in the last module of the Programme.

The primary target group were the officials of the Government and parastatal institutions of Kazakstan (specifically: Ministries and banks), who are - or in the foreseeable future are expected to be - directly involved in the preparation, appraisal and/or promotion of the investment projects in the Country.

I.2. Location.

The Workshop was held in Almaty, Kazakstan, at the premises of the Institute for Advanced Training of Public Servants, Ministry of Economy.

I.3. Facilities.

Conference room and training facilities were provided by the host institution, including blackboard, overhead projector and photocopying services. Whenever required, additional seminar rooms were also provided for group work involving case studies. Personal computers will also be made available for future modules containing training in UNIDO - developed software for project appraisal.

Capable interpreting and secretarial services as well as logistic support were also secured by Organizers, thus contributing to the smooth and efficient implementation of the training programme.

II. Description of the Workshop.

II.1. The Workshop.

Although the original programme envisaged six 45 - minute sessions per day, at the request of the participants - some of whom had to report daily in their respective institutions - the basic daily workload was compressed into three 1.5 hours' sessions starting at 09.00 and ending at 14.00; thus giving participants the opportunity to attend to their respective office duties in the afternoon hours. The originally planned workload of 4.5 effective contact hours per day was nevertheless maintained by reducing the break times to 15 minutes each.

Another departure from the original programme's timing, due to the airline flight schedule, involved changing of the weekly workload. Thus, the first week of the Programme comprised of the 6 working days - instead of the 5 originally planned for - and the Workshop was concluded on Thursday afternoon, 06 June 1996.

All lectures, exercises, case studies and discussions were delivered or moderated by Consultant.

II.2. Workshop Programme.

The following main topics were covered in the course of the Workshop's implementation within the limits of the time available:

- Introduction to the programme. Importance of investment appraisal.
- Individual goals of partners involved in investment process.
- Identification of investment opportunities in a market economy.
- Project Development Cycle. Size of investment project vs. type and cost of project's appraisal.
- Investment project appraisal stages: criteria and sequence.
- Reasons of failures of investment projects.
- Principles of time preference; compounding and discounting.
- Role of market analysis in investment project appraisal; introduction.
- Basic market mechanisms: demand, supply, prices, elasticities.
- Fundamental concepts in market analysis and marketing; marketing system and socio - economic environment.
- Marketing - mix analysis: product, price, distribution, promotion.
- Classification of products; buying decision criteria.
- Market segmentation, market targeting.
- Market analysis: object and scope; the concept of research brief.
- Data requirements: secondary data.
- Data requirements: primary data; principles of sampling.
- Primary data collection methods.
- Data processing: decomposition of time - series.
- Data processing: introduction to regression.
- Applications of correlation and regression analysis.
- Market forecasting methods and techniques.

- Evaluation of forecasting models.
- Forecasting: consumption coefficient method.
- Selection of marketing strategy: product development, product life - cycle concept.
- Selection of marketing strategy: distribution and pricing.
- Selection of marketing strategy: promotion.
- Special features of export market analysis. Export market strategy development.
- Problems encountered in export marketing: participants' experience.
- Analysis of technical aspects of investment projects - critical elements.
- Raw materials and supplies: analysis and forecasting.
- Plant capacity and production programme: revised sales projection.
- Selection of location and site.
- Environmental impact assessment.
- Technology selection. Machinery & equipment requirements and costs.
- Plant organization & overhead costs.
- Project manpower requirements.
- Implementation planning & budgeting.
- Criteria for selecting consultants and consulting companies.

Detailed timetable, indicating time allocation to particular subjects as well as exercises and case studies, is appended as annex I.

II.3. Training Methods.

Training has been organized in accordance with the programme. Throughout the Workshop four basic teaching methods have been applied, that is: lectures, discussion, exercises and case studies.

Each participant received three basic handouts, translated into Russian, covering introduction to project preparation and appraisal, market analysis and technical analysis as well as the Russian language version of UNIDO Manual for the Preparation of Industrial Feasibility Studies.

The participants received also copies of some of the overhead transparencies used by the Consultant in the course of lectures and discussions.

"Patitaland" case study, used extensively throughout the Programme, was translated into Russian, courtesy of the Organizers, and distributed prior to the first group work session.

The theoretical background and methodological approach were designed in such a manner so as to facilitate the fast understanding of relevant UNIDO methodologies, on which the entire Workshop was based.

Each subject was introduced with an outline of the theoretical background and underlying methodology, delivered during plenary sessions. They were followed by examples and practical illustrations of main issues presented.

Within each subject time was allocated for discussions. Participants were invited to discuss their examples and experiences in the field, thus relating theory to specific practice.

The main emphasis has been put on maximum possible practical applications of the theoretical body of knowledge.

At the request of the Organizers, the examination test was also prepared by the Consultant and administered on the last day of the Workshop.

II.4. Case Studies.

"Patitaland" case study was used extensively during the Workshop to illustrate the theoretical content of market analysis module.

Participants, organized in five groups, designed the research brief, defining the objective of the market study, developing the research outline, specifying data requirements, sources and techniques of data collection.

During the next stage, the same teams developed proposals for demand and sales forecasting, discussing relevant methods and techniques on the basis of the above case study.

Group work was followed by the presentation of the results of each team, plenary discussion and a summary by the Consultant.

A number of smaller exercises were used throughout the Workshop, including the use of compounding and discounting tables for the purpose of facilitating participants' understanding of concepts and theories involved in project appraisal as well as exercises involving calculation of elasticities and break - even point.

II.5. Participants.

The Workshop was attended by 30 participants.

The composition of the participants' group was heterogeneous in terms of their background, level of preparation and previous experience, as could be seen from the list of participants appended in annex II.

The level of interest and involvement on the side of participants was encouraging, since it appears to guarantee that they will proceed in acquiring additional knowledge, experience and expertise in the complex field of project analysis and appraisal.

The breakdown of the participants by their respective institutions is presented below:

No of participants:	Institution:
13	Ministry of Construction,
4	Ministry of Economy,
2	Ministry of Industries and Trade,
2	Peoples' Bank,
2	EXIMBANK,
1	Lariba Bank,
1	Caspian Shelf Consortium,
2	Committee for Utilization of the Foreign Capital (KIİK)
2	State Property Committee, Enterprise Restructuring Agency,
2	Institute for Advanced Training of Public Servants,
1	Technical University.

III. Conclusions, recommendations.

Throughout the conduct of the Workshop, as well as in the course of informal talks held by the Consultant with individual participants, the following observations have been made, which may be treated as the conclusions and recommendations resulting from this mission.

III.1. The organizational aspects of the Workshop were highly satisfactory as was pointed out by the number of participants and experienced by the Consultant.

III.2. Inasmuch as the content of the first module of the PIPM Training Programme in Project Appraisal is concerned, the objectives specified under I.1. have been successfully accomplished. The level of skills of the target group has been upgraded. Keen interest shown by the participants (both inside and outside the lecture room) in the subject matters of the Workshop programme allows to assume with confidence that the acquired knowledge will be shared by the participants with their colleagues and workmates within their respective institutions.

III.3. Considering the differentiated background of the participants and the fact that the subjects presented were, to a large extent, new to the majority of them, the intensive practical work is required - preferably under the guidance of the experienced project analyst - in order to solidify the newly acquired skills and techniques.