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**SEMINAR ON INVESTMENT APPRAISAL
AND PROJECT FEASIBILITY STUDIES
(PROSPIN AND COMFAR)
UNIDO PROJECT DP/AZE/96/005**

**SUBCONTRACTOR'S REPORT
(CONTRACT NO. 96/192)**

**Prepared by T. Babaev
Director
The Baku Scientific and Training Centre**

12 December 1996

Introduction

With the purpose of preparing of professionals to take part in the development of the Sumgait Special Economy Region and to work in free market economy conditions, UNIDO held its first Seminar on Investment Appraisal and Project Feasibility Studies in Baku on 04-15 November 1996.

The Baku Scientific and Training Centre (BSTC) was authorised to carry out organisational works on the Seminar as a subcontractor to UNIDO.

BSTC's Role in Conduction of the Seminar

The Baku Scientific and Training Centre is an organisation within the State Committee of Science and Engineering of Azerbaijan Republic. It has been operating since 1987. Within the BSTC in 1995-96 the Information Technology and Training Centre was created, in the framework of the UNESCO/UNDP project "Strengthening of Computer Technology And Training Centre" (AZE/94/002).

The Centre has been equipped with all the necessary equipment to conduct teaching in modern standards (54 networked computers including servers, multimedia computers, office equipment, overhead projectors, etc.).

With the purpose of successful organisation of the Seminar, consultations with Ms. A.C. Volz, a UNIDO officer, and Mr. V.Alekperov, the UNIDO National Coordinator on the Sumgait Special Economy Region, were held. The following work has been done (according to the Terms of Reference):

1. From 22-29 October, before Mr. Lukasik's arrival, the selection of candidates for the Seminar was accomplished. Standard CV forms were prepared, basic requirements to the participants were determined, the following persons were approached and the following selection process was carried out:

- Mr V.Alekperov selected candidates among staff of state bodies of Azerbaijan Republic and UNIDO;
- Mr. E. Ahmedov, the KOSIA-SMEDA Director, selected candidates among small and medium business with a view of their further work in the Sumgait Investment Centre;
- Mr. A. Kerimov, the head of Financial and External Economic Relations Department of the Sumgait Executive Authority, selected candidates from the city of Sumgait;
- There also were negotiations with other organisations and candidates from the BSTC were suggested.

This work resulted in selection of over 30 candidates. The final selection was made by Mr. J. Lukasik, the UNIDO consultant, who held an interview with every suggested candidate.

2. The BSTC has met all the subcontractor requirements, and organisational works for the seminar have been fully implemented, including:

- Two classrooms were provided, with all the basic facilities (tables, chairs, computers, whiteboards, overhead projector);
- A resting-room for participants was provided;
- Two translators for the seminar were recruited (both have had their one-year-long training courses in Britain);
- Local transport for the UNIDO consultants was arranged;
- Also, all the necessary auxiliary equipment and office supplies for the participants were provided.

During their coffee breaks, the participants could have their tea, coffee and soft drinks free of charge in the BSTC's canteen.

On the final day of the Seminar (15 November 1996), a snack party was held at the Centre.

I. A detailed scientific report on the Seminar was prepared by the lecturer, Mr J. Lukasik.

II. Handouts and other teaching materials, prepared by the lecturer, were photocopied and distributed to the participants. Intensive training was held, which allowed the participants to learn good knowledge and skills on investment appraisal and feasibility studies using the PROSPIN and Mini COMFAR software.

III. Every participant undertook a case study using the PROSPIN software. A group of participants undertook case study using the COMFAR software. The studies were based on real cases that formerly had taken place in different countries under UNIDO programs. Mr. Lukasik put every effort into familiarising the participants with the software and helping them cover the whole training program. This was reflected in the questionnaires on the Seminar's efficiency filled by the participants. They unanimously emphasised Mr. Lukasik's high professionalism and expressed a hope that the Seminar would have its continuation.

Appendices:

1. Programme of the Seminar
2. List of successful participants
3. Financial Report

**Training Programme on Investment Projects' Appraisal
Baku, Azerbaijan, November 1996.**

Week 1

	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
9:00-10:15	<p>Opening ceremony.</p> <p>Introduction to the programme (importance of investment appraisal).</p> <p align="right">L</p>	<p>Project Development Cycle</p> <p>Size of investment project and types of investment appraisal; the cost of preparation of investment studies.</p> <p align="right">L</p>	<p>Data requirements :case study on data collection for a specific product. Questionnaire construction and pretesting.</p> <p>Market forecasting: quantitative techniques and the limitations in their applications.</p> <p align="right">L+C</p>	<p>Application of regression models in market forecasting (case study).</p> <p align="right">L+C</p>	<p>PROSPIN: Compute, Output, Print, Utility Categories, Interpretation of Results: Cashflow Tables, Case Study: Tomato Canning Project.</p>
10:30-11:45	<p>Macro economic context of investment decisions.</p> <p>Understanding the individual goals of all partners involved in investment project: entrepreneurs, foreign partners, banks, government.</p> <p align="right">L+D</p>	<p>Discussion of investment opportunities existing in Azerbaijan (presentation by trainees and experts).</p> <p>Market analysis for investment projects. Introduction to basic market mechanisms: demand, supply, prices determined by market.</p> <p align="right">L+D</p>	<p>Market qualitative analysis.</p> <p>Market creation (discussion of concrete cases). Product pricing. Market segmentation and marketing strategy, price: quality relationship. Specific aspects of export market analysis. Impact of export sales on the project strategy.</p> <p align="right">L+D</p>	<p>PROSPIN: Data input procedures: Project Definition, Investment, Equity & Grants, Loans & Export Credits, Product Definition, Production Program, Case Study: Tomato Canning Project.</p>	<p>Interpretation of Results: Income Statement, NPV, IRR, NPVE, IRRE, Indicators, Case Study: Tomato Canning Project.</p>
12:00-13:30	<p>Why do investments projects fail ?</p> <p>Introduction by UNIDO lecturer, presentation of examples by participants.</p>	<p>Market research. Data requirements (types of data about past and present, depth of analysis, availability).</p> <p align="right">L</p>	<p>PROSPIN: installation procedures. General organisation of the software. Operational rules and procedures.</p> <p align="right">L+C</p>	<p>PROSPIN: Data input procedures: Raw Materials & Inputs, Utilities, Labour, Overheads, Working Capital Requirements, Case Study: Tomato Canning Project.</p>	<p>Alternative Financing Structures, Sensitivity Analysis, Case Study: Tomato Canning Project.</p>
13:30-14:00	Summing up of the day	Summing up of the day	Summing up of the day	Summing up of the day	Evaluation of the week

**Training Programme on Investment Projects' Appraisal
Baku, Azerbaijan, November 1996.**

Week 2

	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
9:30-10:45	Introduction to financial appraisal. Compounding and discounting. Overview of cost categories necessary for financial appraisal. Estimation of working capital requirements. L+C	Financial statements required in investment appraisal. Construction of a cash flow (funds flow) statement. Net present value of cash flow (NPV) and internal rate of return (IRR) Interpretation of income statement and balance sheet. L+C	Analysis of the financial ratios (liquidity, leverage, activity, profitability). Simple measures of project appraisal). Risk and uncertainty. Sensitivity analysis and introduction to probability analysis. Impact of inflation. L+C	Financing of investment project. Cost of capital and its estimation. Debt repayment schedules and leverage associated risks. Role of private entrepreneur in industrial project development and entrepreneurial capacities assessment. L+C	COMFAR III MINI Expert; Krylandia Case Study - Data Input. C
11:00-12:15	PROPSPIN: Data input procedures: Project Definition, Investment, Equity & Grants, Loans, Product Definition, Production Program. Case Study: Tomato Canning Project. C	Introduction to COMFAR III MINI Expert: Data Structure, Menus - Overview of the Program. L	COMFAR III MINI Expert; Financial Data Input: Tomato Canning Project - Case Study cont'd. C	COMFAR III MINI Expert; Project Financing Plan, Profit Distribution: Tomato Canning Case Study cont'd. C	COMFAR III MINI Expert; Krylandia Case Study - Data Input cont'd. Alternative financing structures. C
12:30-14:00	PROPSPIN: Data input procedures: Raw Materials & Inputs, Utilities, Labour, Overheads, Working Capital Requirements. Interpretation of results. Case Study: Tomato Canning Project. C	COMFAR III MINI Expert; Financial Data Input: Tomato Canning Project - Case Study. C	COMFAR III MINI Expert; Preliminary Calculations - Tomato Canning Project: Overview of Initial Results. C	COMFAR III MINI Expert; Final Calculations, Review of Results: Cashflow Tables, Income Statement, Balance Sheet. Review of Results: Measures of Project Financial Viability: IRR, NPV, IRRE, NPVE, PP, Ratios. C	COMFAR III MINI Expert; Krylandia Case Study: Review of Results: Tables, Charts and Graphs. C
14:00-14:30	Summing-up of the day	Summing-up of the day	Summing-up of the day	Summing-up of the day	Evaluation of the programme

L = Lectures

D = Discussions

C = Case studies

LIST OF SUCCESSFUL SEMINAR PARTICIPANTS

n/n	Name	Organisation/Company
1	Alexander Zaitsev	Baku Air-Conditioner Producing Plant
2	Letif Medgidov	Sumgait tube rolling plant
3	Gurshad Namazov	BISM Company of Sumgait
4	Farhad Abdullaev	BSA
5	Mir-Aga Babayev	BSA
6	Nariman Rzakuliyev	BSA
7	Bakhtiyar Mamedov	BSA
8	Tofiq Babayev	BSTC
9	Abdulla Gahramanov	BSTC
10	Azer Mamed-zade	BSTC
11	Abdulla Gezalov	BSTC
12	Parviz Gadirov	Khazar JSC, Sumgait
13	Natavan Gachaeva	KOSIA-SMEDA
14	Kamran Abdullayev	KOSIA-SMEDA
15	Lala Mustafayeva	KOSIA-SMEDA
16	Gulnara Alikperova	KOSIA-SMEDA
17	Indira Gasanova	KOSIA-SMEDA
18	Jashar Balamamedov	Organic Sintez Plant of Sumgait
19	Firuz Yusifov	Private company, Baku
20	Rafiq Muradov	Sintez Kauchuk Plant of Sumgait
21	Imran Ismaylov	Superphosphat Factory of Sumgait
22	Sabina Asadoullayeva	Sumgait Municipality Financial
23	Elkhan Rzayev	Sumgait Municipality Financial
24	Rauf Agayev	Bakkond
25	Natavan Aslanova	"Gasid" Private company

FINANCIAL REPORT

NAME OF SERVICE	EXPENCES INCURRED
Rent of classroom	\$300
Rent of computer lab	\$2875
Stationary and secretarial / photocopying facilities	\$300
Salary for two interpreters	\$400
Food & drinks	\$400
Transport expenses	\$375
	TOTAL \$4650