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FINAL REPORT  
ON SEMINAR ON  
THE FINANCIAL ANALYSIS OF INDUSTRIAL PROJECTS  
AND  
THE APPLICATION OF UNIDO COMPUTER MODEL FOR  
FEASIBILITY ANALYSIS AND REPORTING (COMFAR)

SF/SAU/86/002/11-51/31.6.A.

HELD IN JEDDAH, SAUDI ARABIA  
FROM JANUARY 11 TO JANUARY 28, 1987  
AT THE  
ISLAMIC DEVELOPMENT BANK

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## I. Introduction and immediate objective of the project

The seminar on Financial Analysis and the Application of the UNIDO Computer Model for Feasibility Analysis and Reporting (COMFAR) was organized at the request of the Islamic Development Bank (IDB) by the United Nations Industrial Development Organization (UNIDO) and was held at the headquarters of the Bank in Jeddah, Saudi Arabia, from 11 January to the 28 January 1987.

This seminar was a follow-up on an earlier one held in 1985. Its immediate objective was to present UNIDO methodology in project evaluation, applying its approach in financial analysis, and training the Bank participants in the application of COMFAR to execute the financial tables and necessary schedules for the appraisal of industrial projects.

The Bank participants to this seminar totaled 32 professionals from the following departments:

- President Office	1
- Operation Department	8
- Project Department	15
- Computer Section	2
- Legal Section	1
- Treasury and Finance Dept.	<u>4</u>
	32 Participants

A list of the participants names and their respective department is attached as Annex 1.

The average daily attendance over the three weeks course was about 85%. Absence was due on account of either the urgent calls on some participants to complete pressing office work, or travel commitment after the seminar start-up.

## II. DEVELOPMENT OBJECTIVES OF THE PROJECT

The objective of the project was to contribute to the reinforcement of the Bank institutional capabilities in the field of financial analysis, project formulation and appraisal and the introduction of COMFAR in the evaluation process of its industrial projects. This in turn, would assist the Bank in the standardization of the project appraisal method and through COMFAR, accelerate the analysis process enabling IDB to examine a wider range of project alternatives. Consequently, the training for the selected number of IDB professionals in financial analysis and industrial project formulation and appraisal covered:

- 1- The presentation of financial analysis principles, an overview of the financial statements and the detailed explanation of a number of key financial ratios and their significance,
- 2- The presentation of UNIDO methodology in the formulation and appraisal of industrial projects,
- 3- The presentation and detailed explanation of the Financial Evaluation chapter of the "Manual for the Preparation of Industrial Feasibility Studies" of UNIDO, the implication and interconnection of all the financial tables, the method of their preparation, their significance and their interpretation,
- 4- The presentation of concrete cases experience by the consultant to clarify the content of the subjects presented,
- 5- The training of participants in solving exercises in: a) Financial Mathematics, b) Computation of the cost of capital of a case study, c) Implementing all the financial tables of the case study "Silicon Carbide" and interpreting the results, d) Computation of key financial ratios applied to the Silicon Carbide case study and their significance,
- 6- The presentation of a general overview of COMFAR and the use of personal computers.
- 7- The presentation of the full range of COMFAR,
- 8- The application of the Silicon Carbide and the Manual Textile case study to COMFAR and sensitizing certain values.

### III. SCOPE OF THE SEMINAR

The seminar programme was set in accordance with the terms of references before the arrival of the consultant to the Bank headquarters. Once in Jeddah, the seminar content was approved by IDB officials and only modified in its timing to start from 13:00 hours to 15:30 hours followed by another session from 16:15 hours to 18:00 hours for every working day of the workshop. This modification was necessary as participants had to complete their daily workload from 8:00 hours to 12:30 hours and then attend the seminar beginning at 13:00 hours.

Saturday 10 January was taken for the preparation of the conference room, the necessary logistic support, photocopying the handouts and documents to be distributed to participants and to meet the Bank Officials (annex 2 presents a list of the officials met).

The programme of the seminar was expanded to include Thursday 15 and 22 January, which are official holidays, as additional working days to substitute for the Saturday 10 January and assist participants in need of extra help. For these two extra days, the sessions started at 13:00 hours to 15:30 hours.

In total 63 hours of lectures and training were delivered in addition to 1½ hour for the opening and closing ceremonies by the Bank officials. The time redistribution on the main chapters was as follows:

<u>Chapters</u>	<u>Number of hours</u>	<u>% of time allocated</u>
1- Introduction to accounting (financial statements review + case study)	4	6%
2- Principles of Present Value (financial mathematics + cost of capital exercises)	2.5	4%
3- Financial Analysis of industrial projects + case study	12	19%
4- Interpretation of the Financial Statements and financial ratios + case study	3	5%
5- Goals and Functions of Finance, Financial Evaluation under Uncertainty	4	6%
6- General overview of COMPAR and the use of the Personal Computer	4	4%
7- Demonstration of the full range of COMPAR (Data entry system, Calculation system, Reporting system)	8.5	14%

<b>8- COMPAR application of two case studies and sensitivity analysis and interpretation</b>	<b>25</b>	<b>40%</b>
	<hr/>	<hr/>
	<b>63 hours</b>	<b>100%</b>
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The breakdown in percentage of the total available time was distributed as follows::

- Lectures and discussions	35%
- Exercises manually and on computer	65%
	<hr/>
	100%
	<hr/>

The computer time and application of COMPAR was distributed as follows:

- Technical Aspects	5%
- Data Entry System	35%
- Calculation System	5%
- Reporting System	55%
	<hr/>
	100%
	<hr/>

For the application of COMPAR, 6 groups of five participants were formed to be trained on 6 personal computers made available for the seminar. Each participant had access for training and execution of two case studies namely the Silicon Carbide Project and the Textile case study in the UNIDO Manual .

Several printouts were made for the TABI, TABO and Schedules and the results were compared and checked to detect entry errors. Also interpretation of the results (financial statements, ratios and other tables) were made to reach the conclusions and recommendations of the participants on these two case studies.

#### IV. DOCUMENTS AND MATERIALS DISTRIBUTED TO THE PARTICIPANTS

The following materials and documents were distributed to the participants :

- 1- The seminar programme (annex 3),
- 2- The manual for the preparation of industrial feasibility studies,

- 3- Discount tables (annex 4),
- 4- Handouts notes on accounting, financial ratios, financial mathematics, principle of present value, project appraisal, etc. (annex 5 ),
- 5- The Silicon Carbide case study (annex 5),
- 6- One method for the computation of the cost of capital (annex 6),
- 7- COMFAR user manual,
- 8- COMFAR general overview and composition (annex 7),
- 9- COMFAR data input sheets,
- 10- COMFAR Schedules, TABO, TABI of the two case studies.

Also remitted to the head of the computer section, the 2.1 COMFAR software and the arabic version of the Manual for the preparation of industrial feasibility studies. In addition, 25 copies of the same Manual English version were delivered to IDB and 35 certificates were mailed for distribution on the participants.

#### VI. SEMINAR EVALUATION

Participants were from different disciplines and specializations and their experience level was uneven. As a result, the presentation of the subjects was adapted according to their grasping the subject under presentation.

During the sessions, the participants were encouraged to raise questions which created a very profitable exchange and which served the purpose of clarifying the subject and expose procedures and facts. Moreover, participants were questioned on substance under presentation to expose the rational for a particular treatment. These approaches served in maintaining a constant high level of attention to the substance presented during the sessions.

In light of the questions raised, the responses obtained from the participants, the discussions, the exercises and the training on the personal computers, its clear that the seminar has attained all the objectives set to meet in the terms of references.

The seminar was also appraised by the participants and they registered a high degree of satisfaction. Furthermore, it has been highly praised for the positive contribution that it has brought to them and hence, could be qualified as a resounding success.

## VII. RECOMMENDATIONS

- 1- The adoption by the Islamic Development Bank of UNIDO methodology to become the standard norm in project evaluation,
- 2- The request by IDB in its terms of references that institutions presenting feasibility studies follow UNIDO methodology in project evaluation, in order to standardize the evaluation process and facilitate the application of COMPAR,
- 3- The adoption by the Bank of the UNIDO COMPAR software for project evaluation, and hence, the generalization in the use of the personal computer by the Bank staff in the process of project appraisal,
- 4- The follow-up of this seminar by another one to assist the Bank in examining the progress of the introduction of the UNIDO methodology and in the implementation of COMPAR to the Bank projects,
- 5- IDB obtaining from UNIDO COMPAR graphics which has been developed and COMPAR economic evaluation when it will be ready,
- 6- UNIDO participation with IDB in:
  - i) The appraisal of new projects to assist the Bank in the gradual introduction of its methodology,
  - ii) Rehabilitation appraisal of ailing projects,
  - iii) Assistance in specific technical aspects of projects,
  - iv) Formulation and elaboration of new projects,
- 7- Providing each project evaluator with the UNIDO Manual for the Preparation of Industrial Feasibility Studies, table of discount and compounded interest.



**VIII. ACKNOWLEDGEMENT**

The consultant expresses his gratitude to the Islamic Development Bank officials for all the assistance, facilities and logistic support provided during the seminar which made of it a very successful one. Special thanks are extended to Mr. AbdulRehman Yousef, director of operations , for his overall guidance and support and to Mr. Mohammed BenYoucef, head of the computer section, who's Jaily follow-up and assistance in many aspects, provided all the necessary ingredients to an effective seminar.

The consultant also presents his thanks to Mr. W. Behrens, Head, Feasibility Studies Section and Mr. G. Rezek , backstopping officer of this project at UNIDO headquarters in Vienna, who organized this workshop and who's assistance contributed to its success.