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STRENGTHENING THE RESEARCH, STUDIES AND CONTRACTING
DEPARTMENT OF THE MINISTRY OF INDUSTRY,
TRADE AND SUPPLY

DP/PDY/87/003

REPUBLIC OF YEMEN

Technical report: Evaluation mission,
6 May - 5 June 1991*

Prepared for the Government of the Republic of Yemen
by the United Nations Industrial Development Organization,
acting as executing agency for the United Nations Development Programme

Based on the work of J. Lukasik,
evaluation consultant

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Vienna

* This document has not been edited.

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List of Abbreviations Used in the Report.

PDRY	- Peoples' Democratic Republic of Yemen,
YAR	- Yemen Arab Republic,
ROY	- Republic of Yemen /since 22.05.1990/,
MITS	- Ministry of Industry, Trade and Supply /PDRY/,
MEST	- Ministry of Economy, Supply and Trade /YAR/,
MOI	- Ministry of Industry /ROY/,
AB	- Aden Branch,
MOP	- Ministry of Planning,
MOF	- Ministry of Finance,
IB	- Industrial Bank,
IPA	- Investment Promotion Agency,
AFZ	- Aden Free Zone,
RSCD	- Research, Studies and Contracting Department,
TPR	- Tripartite Project Review,
LAN	- Local Area Network,
P.S.	- Permanent Secretary,
G.D.	- General Director,
D.	- Director,
A.R.R.	- Assistant Resident Representative,
J.P.O.	- Junior Professional Officer,
C.T.A.	- Chief Technical Adviser,
I.E.	- Industrial Engineer,
N.P.D.	- National Project Director,

I. BACKGROUND INFORMATION.

UNIDO/UNDP project DP/PDY/87/001, " Strengthening the Research, Studies and Contracting Department of the Ministry of Industry, Trade and Supply" , Aden, PDRY, has started in March 1989 with the operational lifetime of three and a half years as stipulated in the project document.

However, since the project's budget and activities were originally planned for the period of two years - such planning horizon was assumed by the C.T.A. in developing workplans and scheduling the detailed project's activities.

During the first TPR, held on 12.05.1990, the overall progress of the project's implementation was considered satisfactory.

Since at that time the country was undergoing intensive preparation for unification with Yemen Arab Republic, it was agreed that the next TPR, the major objective of which was stipulated to "...review the environment of the project deriving from unification, its future and relationship with the ongoing similar project in Sana'a...", would be held six months later.

During the same meeting it was also pointed out by UNDP, and agreed by UNIDO, that "... the immediate objectives as formulated in the project document are overambitious in light of the project duration. Institution building projects should extend over a period of at least five years with adequate budget allocation...".

This issue was also agreed to be discussed during the next TPR in the light of the abovementioned changes of the project's institutional and economic environment.

The Gulf crisis as well as the institutional restructuring of the newly established Republic of Yemen have both brought about the delay in organization of the review meeting, which finally was requested by the government to be held in May 1991.

The duties of the Consultant, as specified in the job description, were as follows:

1. Review the project work and prepare a report on its progress, highlighting work so far completed and preparations for work still to be covered.
2. Prepare a document for submission in the TPR meeting.
3. Prepare a proposal for a combined project to follow the present project and to include two existing projects in Aden and in Sana'a.
4. Attend the TPR meeting in Sana'a for discussions on the above prepared documents.
5. Preparation of final project document to be submitted by the government for the future possible cooperation with UNDP/UNIDO in this field.

II. ACTIVITIES.

In view of the need to collect information and communicate with decision makers in both Aden and Sana'a, the Consultant has divided his time in the field as follows:

- Aden: 09-13.05. - appraisal of DP/PDY/87/001 performance and collection of data on new economic and institutional developments and their impact on project activities.
- Sana'a: 14-21.05. - appraisal of DP/YEM/87/020 performance, discussions with MOI, IB, UNDP, participation in TPR.
- Aden: 22-29.05.- assistance in rearranging and scheduling of project' activities in view of TPR decisions; timing and budget.
- Sana'a: 30.05-01.06. - final discussions and recommendations: MOI, UNDP.

The major meetings held, together with the most important activities performed by the Consultant, are listed below accordingly.

First "leg": Aden 09/05 - 13/05.

Meetings:

Ministry of Industry, Aden Branch:

- S. Basabrein, P.S., Head, AB,
- A. A. Assadik, P.S., Development, MOI, Sana'a,
- T. M. Shaker, Deputy P.S. Investment, N.P.D.,
- O. Orabi, G.D., RSCD,
- I. Munir, Head, Studies Section,
- RSCD staff members - project counterparts.

Ministry of Planning, Aden Branch:

- A. Abadan, Deputy Minister, Head, AB,
- S. Basabrein, MOI, AB,
- T. M. Shaker, MOI, AB,
- O. Orabi, MOI, AB,

Aden Chamber of Commerce,

- A.S. Al-Zhader, President.

Accomplishments:

Review of the DP/PDY/87/001 achievements during the period:

October 1990 - April 1991.

Discussions with the project management and the counterpart staff aimed at identifying the outstanding activities and additional needs stemming from the completion of the original project's outputs as specified in the project document. The purpose of these discussions was also to identify any additional requirements which might have emerged in the process of implementing the past project activities.

Comparison of the activities with the time schedule of the project workplan.

Identification and analysis of the accomplished and forthcoming structural changes resulting from the unification of the PDRY and YAR ; their impact on the administrative and economic conditions of the ROY.

Overview and analysis of the new investment environment emerging in the governorate of Aden and, in general, in the southern part of the ROY.

Identification of the needs in the direct area of the project's mandate, as well as in the related areas, which could be best served by the continuation and/or extension of the project's activities in cognizance of the abovementioned changes.

Preparation of the general outline of the role, which the project should play in the changing investment climate, taking into consideration the new market environment as well as the new emerging administrative structures and the modified functions of the government in the investment process.

Second "leg": Sana'a 14/05 - 21/05.

Meetings:

Ministry of Industry:

- dr A. Othman , Deputy Minister,
- A. Al-Dhuppy, P.S., Investment,
- A. Al-Iriani, G.D. Dept. of Int. Organizations,
- M.A. Hussein, D. Dept. of Investment,
- A.A. Rabu, D. Dept. of Planning.

Industrial Bank:

- A. Al-Arhabi, Gen. Manager,

UNDP:

- M. Hyland, Resident Representative,
- Ph. El Ghouayel, D-y Resident Representative,
- A-M. Cluckers, A.R.R. /Programmes/.

Tripartite Project Review meeting:

held on 21.05.1991, chaired by A. Sharafeddin, G.D., Dept. of International Organizations, MOP.

In attendance:

MOI:

- A. El-Iriani, G.D. Dept. of Int. Organizations,
- S. Saleh, G.D. Dept. of Investment,
- O. Orabi, G.D. RSCD, AB.

MOP:

- A. Sharafeddin, G.D. Dept. of Int. Organizations,

UNDP

- M. Hyland, Resident Representative,
- A-M. Cluckers, A.R.R. /Programmes/.

UNIDO

- J. Lukasik, Consultant.

Accomplishments:

Identification of the needs in the general area of industrial projects' preparation, appraisal and registration in view of the existing and envisaged administrative, legal and economic framework.

Collection of the information necessary for appraisal of DP/YEM/87/020 performance and accomplishments in view of the identified needs of the MOI.

Presentation of the objectives and accomplishments of DP/PDY/87/001 to the MOI decision makers; joint analysis of potential areas of cooperation, exchange of experience and prospective merger of the two projects.

Preparation of the DP/PDY/87/001 performance evaluation summary and recommendations for further action to be presented at TPR.

Third "leg": Aden 22/05 - 29/05.

Meetings:

Ministry of Industry, Aden Branch:

- T. M. Shaker,

- S. Basabrein,
- RSCD project counterpart staff.

Accomplishments:

Assistance in the preparation of the time-frame for the project's outstanding activities.

Assistance in the selection of the Contracting Expert.

Discussions aimed at finding out the reasons for Data Base Expert mission's failure and suggestions as to the criteria of selection of the replacement Expert.

Assistance in preparation of the job description for short-term engineer Expert in Metal Processing /see: Appendix C/.

Discussions leading to identification of the new areas of expertise required by the project counterpart staff in consequence of the changing investment environment and the establishment of the AFZ.

These cover: privatization, investment promotion and computer maintenance.

Discussions aimed at finding out whether the level of advancement of the project's activities, as well as the expected workload and the nature of activities, justify the project's management request for LAN and access to distant data bases.

Assistance in preparation of the budget proposal necessary to secure the completion of the project's outstanding activities as well as implementation of the new, complementary activities deemed necessary in view of the changing investment environment.

Identification of the needs for further UNDP/UNIDO assistance emerging as a consequence of the changes taking place in the investment environment.

Fourth "leg": Sana'a 30/05 - 01/06.

Meetings:

Ministry of Industry:

- UNDP:**
- S. Salah, G.D. Dept. of Investment, N.P.D.,
 - A-M. Cluckers, A.R.R. /Programmes/,
 - G. Ferraro, J.P.O.

Accomplishments:

Discussions with DP/YEM/87/020 National Project Director aimed at identifying project's training and short-term consultancy requirements as well as ways of securing the transfer of needed expertise and know-how.

Presentation of the Consultant's findings, conclusions and recommendations to the UNDP office, Sana'a.

III. FINDINGS.

Evaluation of the DP/PDY/87/001 performance was based on the following grounds:

- PPER submitted by C.T.A., covering period: April-September 1990,
- C.T.A. Terminal Report,
- I.E. Terminal Report,
- review of documents and discussions with N.P.D. and project counterpart staff during the first leg of the evaluation mission.

The general progress of the project's implementation has been judged by the Consultant as successful, given the limitations stemming from the international situation in the region as well as the institutional restructuring resulting from the unification process.

The project has also suffered delays in the implementation of the remaining activities necessary to complete outputs 1.1. and 1.3., due to further delays in recruitment of the Contracting Expert and inadequate selection of the Data Base Expert.

The rapid transformation of the centrally planned economy of PDRY into the market-oriented one, the significant increase in the size of the market due to unification and - last but not least - the inflow of private capital being brought in by the Yemeni emigrants returning en masse to the country - all these factors resulted in the rapid inflow of the investment licence applications in the area of Aden over the last six months of the project's operation.

Suffice to say that, at the time of this mission, RSCD was handling over 140 private sector's investment projects.

The heavily increased workload of the RSCD staff members gradually eliminates one of the shortcomings of the project's implementation, raised by the previous TPR as well as the C.T.A.'s terminal report, i.e. inadequate "hands-on" practice of the project counterpart staff.

Although the methodologies and techniques acquired in the course of DP/PDY/87/001 implementation are being used by the RSCD staff to varying degree, the intermittent supervision and guidance of the experienced international expert is still required in this area in order to enable project's counterpart staff to reach full proficiency.

To be able to cope with the increased workload, one of the RSCD staff members - Mr I. Munir - has developed the miniature data base helping the Department to monitor the projects being processed.

The effort, although commendable, is no substitute for the full scale data base, for which RSCD is in dire need.

Compared with the original workplan for DP/PDY/87/001 , the following activities are still outstanding:

- recruitment of the Contracting Expert to perform training and develop manuals on tendering and contracting,
- recruitment of the replacement Data Base Expert to establish computerized data base and monitor its implementation,
- completion of the external training cycle:
 - 1 study tour,
 - 1 fellowship,
- completion of the on-the-job training,
- Investment Policy Workshop.

A brief evaluation of the DP/YEM/87/020 was performed by the Consultant on the basis of:

- project document,
- most recent PPER,
- summary of project performance, submitted by MOI,
- discussions with MOI and UNDP.

More details may be found in the report of Mr.D.Ghozali, S.I.D.O.,FEAS, who attended the project's TPR meeting.

In the light of the different level of advancement of DP/PDY/87/001 and DP/YEM/87/020, different speed of progress as well as differing profiles - no advantage was perceived to result from the merger of the two projects. This observation of the Consultant was confirmed by the government and UNDP, which both shared the above conclusion.

Accordingly, the TPR meetings for DP/PDY/87/001 and DP/YEM/87/020 were scheduled separately.

The Consultant's opinion as to the successful performance of DP/PDY/87/001 was confirmed by all the parties attending the TPR. However, due notice was taken of the reasons for delays mentioned above and further listed in Appendix A page 3.

As a result of the subsequent discussion, in which took part Messrs: M.Hyland, D.Ghozali, O.Orabi, A.El-Iriani, A.Sharafeddin and J.Lukasik, the following decisions were taken:

- in view of the increasing demand for the skills and expertise provided by DP/PDY/87/001, resulting from the rapid acceleration of the private sector's investment activities in the south of the country, the project should continue its operations to complete the outstanding activities within the existing budget allocations.

- UNIDO should increase efforts to secure timely recruitment of Contracting Expert and Data Base Expert.

- DP/PDY/87/001 being more advanced than DP/YEM/87/020, in order to avoid duplication of efforts and waste of financial resources, the UNIDO Consultant should - together with National Project Directors of both projects - study the possibilities of transferring the expertise and experience gained by DP/PDY/87/001 national project counterparts to those of DP/YEM/87/020.

- The suggestion to redesign and extend DP/PDY/87/001 in view of the drastically changing investment environment in the south of the country /see: Appendix A/, forwarded by the UNIDO Consultant and strongly supported by MOI representatives, has been rejected by the UNDP on the grounds of inappropriate timing and inadequate UNDP financial resources. It was however agreed that this matter should be considered at a later time within the next IPF budget allocation.

There are several reasons to believe that the recent surge of investment activities in the south of the country, and particularly in the governorate of Aden, has all the symptoms of becoming a long-term tendency.

Among others, the most prominent are:

- continuous inflow of the returnees' private capital,
- increasing oil revenues,
- establishment of the Aden Free Zone / declared on 22.05.1991/.

This means increased workload for the RSCD staff members in both quantitative and qualitative terms. The new qualitative aspects will probably cover such areas as:

- extending support services to private investors, which would also include:
 - providing information on new technologies,
 - providing data on export and import markets,
 - project implementation guidance,
- preparations for the privatization of some of the public enterprises,

- investment promotion,
- training of cadres for the newly established institutions, such as : IPA AB, IB AB, AFZ Authority,
- "quality control" and skills upgrading of the independent consultants involved in investment projects' preparation.

IV. CONCLUSIONS, RECOMMENDATIONS.

Conclusions and recommendations resulting from this mission may be classified in three groups:

1. Measures necessary to secure the timely completion of the outstanding project activities as per original project document.
2. Recommendations regarding additional activities, necessitated by the recent developments in the investment environment of Aden, to be completed within the time-frame of the existing project.
3. Recommendations regarding the development of the framework of the second phase of the project in view of its past achievements and in consideration of the emerging new quantitative and qualitative demands for skills directly developed within and related to DP/PDY/87/001, which come as the aftermath of the new challenges posed by the changing political, economic and social environment in the former PDRY.

Ad.1. The following measures are recommended:

- 1.1. UNIDO should submit additional candidate/s for the post of Contracting Expert as soon as possible, having ascertained beforehand the availability of the candidate/s within the time-frame specified in the job description.
- 1.2. UNIDO should submit the candidate/s for the Data Base Expert post, having established beforehand proven experience of the candidate/s in actual development and installation of data bases of a similar nature.
- 1.3. Government should submit as soon as possible the remaining fellowship nomination form.
- 1.4. Government should submit as soon as possible the final itinerary of the study tour suspended in May 1990 in consequence of the preparations for unification.
- 1.5. Government should submit the job description for the Industrial Economist - expert in pre-investment studies, who

would monitor and supervise the completion of the on-the-job training of the RSCD staff - together with the proposed timing of the split missions.

1.6. Investment Policy Workshop should be abandoned in view of the government's apparent lack of interest in this activity.

Ad.2. In consideration of the changing investment environment - discussed in more detail under FINDINGS - the following additional activities are recommended to be included in the project's workplan. These additional activities should be completed within the existing time-frame of the project.

2.1. Local Area Network should be established immediately after the data base becomes operational, to enable full utilization of the computer equipment and software being at the disposal of the project.

Prerequisites:

- 1 IBM PS2/80 computer system equipped with math coprocessor and external hard disk 500 MB.
- accessory equipment for LAN,
- short-term expert /1 mm/ for LAN establishment and counterpart training.

2.2. As a consequence of the increasing role of RSCD in providing support services to private entrepreneurs as well as public sector it becomes necessary to improve information flow regarding foreign markets and appropriate modern technologies through securing access to distant data banks.

Prerequisites:

- 6 modems for access to distant data bases.

2.3. As pointed out in FINDINGS, the changing economic and political environment creates demand for skills and expertise in new areas not envisaged in the original project document.

Four new fellowships are therefore recommended:

- 2 fellowships in Privatization /1 mm each/,
- 2 fellowships in Investment Promotion /1.5 mm each/.

2.4. Since locally available computer maintenance services are of questionable standard and/or extremely expensive, additional fellowship /1 x 2mm/ in Computer Maintenance is highly advisable and fully warranted by the amount of the computer equipment at the disposal of the project.

2.5. Training course in Pre-Investment Projects' Preparation and Appraisal should be organized for the new cadres of the institutions being established, i.e. AFZ Authority, IPA AB, IB AB.

The main bulk of the training inputs may be provided by the select RSCD staff under the supervision and guidance of the International Expert /1 mm/, who would also provide missing expertise and training inputs on: market analysis, financial analysis and ECBA, including demonstration of COMFAR.

Implementation of the activities listed above is certainly impossible within the existing budget of DP/PDY/87/001. However, bearing in mind the inconsistency of the project document, pointed out in BACKGROUND INFORMATION / project's operational lifetime set at 3.5 years and budget planned for 2 years /, it is supposed by the Consultant that the TPR decision that "... project should continue its activities within the existing budget allocations..." implicitly assumes that funds will be provided for the remaining period of project's life on a pro rata basis. Based on these premises the draft budget proposal was prepared by the Consultant in conference with N.P.D. and presented in this report as Appendix B.

Ad.3. There is no doubt in the mind of the Consultant that the UNDP/UNIDO assistance in strengthening the pre-investment studies development and appraisal in Aden, successfully initiated and being implemented under DP/PDY/87/001, should continue beyond the time-frame stipulated by the original project document. Its substantive scope should also be increased to meet the emerging demand for related expertise.

The following arguments justify the above statement.

- The type of expertise developed and enhanced within DP/PDY/87/001 is still scarce in the ROY.

- The new investment environment creates additional and increasing demand for skills developed within this project.

- RSCD in its present capacity will probably not be able to cope with the recent upsurge of the investment activity, without substantial quantitative and qualitative expansion.

- Extending support services to private investors involves not only facilitating preparation, evaluation and implementation of investment projects in line with the priorities established by the MOI industrial strategy, but also providing information and guidance on appropriate technology, costs and supply sources as well as on the potential export and import markets, to mention but a few.

- Newly established institutions /AFZ Authority, IPA AB, IB AB/ will require cadres skilled in project preparation and appraisal as well as in investment promotion. This creates

additional demand for training as well as direct support.

- The increasing involvement of independent consulting firms in the process of investment projects' preparation brings about the problem of organized forms of their skills' upgrading as well as the "quality control" of their outputs.

With its technical and human resource base already established and upgraded within DP/PDY/87/001 the original project counterpart group /RSCD/ appears to be best equipped to perform these functions.

Since institution building is a costly and time-consuming process - it stands to reason that the existing, established and operating institution, with the assistance of the existing and operational UNDP/UNIDO project, be used as a foundation for further expansion of training and direct support services aiming at facilitating the investment process in the south of the country.

It is therefore proposed that the preparations for the Phase II of the project be initiated in Autumn 1991 in order not to lose the momentum of the existing DP/PDY/87/001 activity.

The immediate objectives of the project should be redesigned in view of the abovementioned quantitative and qualitative developments to read as follows:

1. Consolidation of the skills and know-how of the project's original counterpart staff to enable them to transfer acquired methods and techniques to new cadres through organized as well as on-the-job training.
2. Upgrading skills of the cadres of major parties involved in the investment process in the south of the ROY, through providing organized training opportunities in the methodologies of project preparation and appraisal as well as in subjects related to project implementation.
3. Establishing the solid basis for extending support services to private investors in order to enable them to identify and select viable investment projects as well as to facilitate the process of investment and successful operation.

V. ACKNOWLEDGEMENTS.

Only few of the large number of individuals and institutions who provided invaluable support and assistance at various stages of this mission can be mentioned here.

The Consultant would like to express his particular thanks to the following:

MOI, AB:

- Mr. Taha M. Shaker, Deputy P.S. Investment, N.P.D.

MOI:

- Mr. A. Al-Duppy, P.S. Investment,

UNDP:

- Ms. A-M. Cluckers, A.R.R. ;Programmes/,

Special thanks are due to Mr. Omer Orabi, G.D. MOI AB, who accompanied the Consultant throughout "legs" 1, 2 and 4 of his mission, providing continuous assistance and intellectually stimulating atmosphere.

VI. APPENDICES.

Appendix A. DP/PDY/87/001 Summary of Project Performance, Recommendations. Presented to TPR 21.05.1991.

Appendix B. DP/PDY/87/001 Draft Budget Proposal 1991/1992.

Appendix C. Job Description. Expert in Metal Forming/Processing.

19 July 1991.

Janusz Lukasik,
UNIDO Consultant.

APPENDIX A

DP/PDY/87/001 - Strengthening the Research, Studies and Contracting Department of the Ministry of Industry, Aden Branch.

SUMMARY OF PROJECT PERFORMANCE.

Project immediate objectives:

I. To strengthen the institutional capacity of the Research, Studies and Contracting Department of the Ministry of Industry, Aden Branch, to perform its functions of preparing and implementing industrial feasibility studies.

II. To upgrade the technical and technological pre-investment expertise of a minimum of thirteen national professional staff for the Research, Studies and Contracting Department, MI, Aden Branch.

Accomplishment:

Both objectives have been satisfactorily accomplished. The institutional capacity of the RSCD has been substantially strengthened and the methodological and technical pre-investment expertise of the professional staff of the RSCD upgraded. The project has also had a significant external effect in terms of upgrading skills of numerous officials from other government institutions and public corporations.

Project outputs:

1.1. A comprehensive set of practical methodologies, guidelines and procedures specifically prepared to suit the conditions/requirements of the country.

Accomplishment: satisfactory.

Manuals covering three operational fields of RSCD activities completed and distributed; in use by the project counterpart staff.

Outlines for manuals on tendering and contracting submitted; finalization pending arrival of Contracting expert. Substantial computer software library established and being extensively used.

1.2. A set of investment criteria for selection and ranking of industrial projects.

Accomplishment: satisfactory.

Commercial evaluation criteria specified in sufficient detail under output 1.1.

For the comprehensive solution of the economic evaluation criteria /beyond the scope of this project/ Investment Policy Paper was prepared by the high-level UNIDO consultant, translated into Arabic and distributed.

Preparations for Workshop for Government decision makers - completed.

Workshop suspended at Government request.

1.3. An information reference unit capable of collecting reference documents and data for use by the entire Department.

Accomplishment: satisfactory.

The reference library, containing over 180 titles, fully operational. Computer hardware and software installed and in use by the project counterpart staff. Data bank establishment pending arrival of Data Base expert.

2.1. A programme of a minimum of seven periodical training courses for the national professional staff, organized and conducted by the internationally recruited experts, introducing each of the set of procedures, methodologies and guidelines as well as courses on COMFAR and other relevant subjects.

Accomplishment: satisfactory.

Nine in-house training courses organized and implemented throughout the duration of project activities.

Training course on tendering and contracting procedures pending arrival of Contracting expert.

Over 130 participants trained in various aspects of project activities.

Two RSCD staff members, upon returning from training abroad, organized courses for their colleagues.

2.2. A number of case studies, prepared by national professional staff of the Department under supervision of the internationally recruited experts, which also serve as test runs for the methodologies, guidelines and procedures.

Accomplishment: unsatisfactory.

Throughout the first nine months of 1990 the local counterpart staff:

- prepared 15 terms of reference,
- revised and evaluated 7 pre-feasibility studies,
- collected background information for 10 opportunity studies,
- prepared financial analysis of 2 projects.

However, quantitative output targets were not fulfilled. Counterpart staff still requires extensive on-the-job experience

to become fully proficient.

2.3. A fellowship programme, to complement the training offered in-house, through which selected counterparts were to be sent abroad for periods not longer than two man-months, to improve their know-how in their specialized fields.

Accomplishment: satisfactory.

Eleven fellowships and two study tours completed during the project's activities.

One study tour, for which preparations were completed in May 1990, suspended at Government request.

2.4. One pilot course, conducted by internationally recruited experts, for decision makers on the use of feasibility studies for decision making and on the use of the manual on investment criteria.

Accomplishment:

It was suggested by the project management, and approved at the first TPR, that this output be combined with output 1.2.

Obstacles:

- initial project's start-up delay,
- problems with short-term experts' selection and timely arrival,
- inadequate project's time-frame, resulting in "overcrowding" of project activities and timing conflicts between Department's regular activities and the project's programme,
- premature departure of the CTA,
- suspension of the project's activities due to the Gulf crisis.

Activities outstanding:

- recruitment of the Contracting expert to perform training and develop manuals on tendering and contracting,
- establishment of computerized data bank,
- completion of external training cycle:
 - fellowships,
 - study tour,
- completion of the on-the-job training,
- Investment Policy workshop.

RECOMMENDATIONS

1. After being redesigned to incorporate the changing investment climate and new institutional structure in the south of ROY, the project should continue its activities for at least two more years.

2. While redesigning the project, the following elements should be taken into consideration:

2.1. The need for completion of project's outstanding activities, aimed at achieving full proficiency by the original target group / RSCD staff /, as well as the full institutional capacity of the target unit / RSCD /.

2.2. The change in the investment climate in the south of the country after unification.

2.3. The changing role of the government institutions in the investment process in view of:

- newly approved Investment Law,
- recently established institutions,
- recommendations of the World Bank Report on Institutional and Policy Framework for Industrial Development.

2.4. The increase of the range of perceived project beneficiaries, incorporating inter alia:

- Aden Free Zone Authority.
- Investment Promotion Agency, Aden Branch,
- Industrial Bank, Aden Branch.

Ministry of Planning, Aden Branch, Aden Chamber of Commerce as well as independent consultants, involved in preparation of pre-investment studies, could also be considered as potential beneficiaries of redesigned project's activities.

3. The immediate objectives of the redesigned extension project should therefore be formulated as follows:

3.1. Consolidation of the skills and know-how of the project's original counterpart staff through intensive on-the-job practicing of acquired methodologies and techniques under the guidance of the experienced international expert.

3.2. Upgrading skills of the cadres of major parties involved in the investment process in the Aden Free

Zone, through providing organized training opportunities in the methodologies of project preparation, evaluation, appraisal as well as in subjects related to project implementation.

- 3.3. Establishing the solid basis for extending support services to private investors. These support services, rendered by the project counterpart staff, should aim at facilitating the preparation, evaluation and implementation of investment projects in line with the priorities and directions established by the industrial strategy of the Ministry of Industry.

Rationale:

The type of expertise developed and enhanced within DP/PDY/87/001 is still scarce in the ROY.

There is an obvious need to further develop these capabilities through extensive organized training of new cadres for the existing and newly established institutions as well as through consolidating and further improving the skills of the original project counterpart staff by the intensive on-the-job practice.

The consequences of the unification of PDRY and YAR have altered significantly the project's operational framework.

The rapid transition of the former PDRY centrally planned economy into the market-oriented one and the merger of the two economies, increasing interest of the private entrepreneurs - and in particular the Yemeni emigrants returning to the country - in the investment opportunities in the south, have created the entirely new investment climate in the region.

The new investment environment should also be perceived in the light of the new Government structure and institutional set-up emerging as the consequence of the unification.

For Aden this will result in:

- establishment of the Aden Free Zone, which will - without doubt - keep-up the momentum of the recent rapid increase in the number of investment licence applications,
- establishment of the strong branch of the Investment Promotion Agency, stipulated under the new Investment Law,
- strengthening the role of the financial institutions involved in development financing, through opening the branch of the Investment Bank.

All these new institutions will require cadres skilled in project preparation and appraisal in order to monitor and coordinate the industrial development.

One can also easily envisage the increased demand for:

- project implementation guidance,
- managerial skills' development,
- investment promotion techniques,
- export promotion techniques.

Irrespective of the final division of their responsibilities, all four institutions involved in the investment process i.e.:

- Aden Free Zone Authority,
- Ministry of Industry, Aden Branch,
- Investment Promotion Agency, Aden Branch,
- Industrial Bank, Aden Branch,

will therefore require the abovementioned expertise in the form of training as well as direct support services extended to the investors.

With its technical and human resource base already established and upgraded within DP/PDY/87/001 the original project counterpart group / RSCD / appears to be the natural choice, best equipped to perform these functions.

In the longer run RSCD should also be able to provide potential investors with up-to-date information on sources of new technologies and data on local and international markets' capacities and conditions.

In case it is decided, as proposed by the recent World Bank mission report, that pre-investment studies' preparation be handed-over to independent consultants, the problem of organized forms of their skills' upgrading, as well as "quality control" of their outputs, will have to be addressed by the project counterpart staff.

Since institution-building is a costly and time-consuming process - it stands to reason that the existing, established and operating institution, with the help of the existing and operational UNDP/UNIDO project, be used as a foundation for further extension of training and direct support services aiming at facilitating the investment process in the south of the country.

APPENDIX B

DP/PDY/87/001

1991/92 Proposed budget covering necessary Project activities:
05.1991 - 09.1992

PROJECT COMPONENTS		TOTAL AMT M/M	1991 AMT M/M	1992 AMT M/M
010	PROJECT PERSONNEL			
11	Experts			
011-100	INDUSTRIAL ECONOMIST	51.475	17.175	34.300
		4.5	1.5	3.0
011-200	COMFAR SPECIALIST	11.450	11.450	-
		1.0	1.0	
011-520	CONTRACTING SPECIALIST	45.800	45.800	-
		4.0	4.0	
011-530	DATA BASE SPECIALIST	34.350	34.350	
		3.0	3.0	
011-540	ENGINEER SPECIALISTS	34.350	34.350	
		3.0	3.0	
011-970	SHORT TERM CONSULTANTS	22.900	11.450	11.450
		2.0	1.0	1.0
11-99	Subtotal	200.325	154.575	45.750
13	Admin support personnel			
013-010	PROJECT SECRETARY	31.980	19.188	12.792
13-99	Subtotal	31.980	19.188	12.792
16	Mission costs			
016-000	Mission costs	4.000		4.000
019	COMPONENT TOTAL	236.305	173.763	62.542
030	TRAINING			
021-000	FELLOWSHIPS	54.000	30.000	24.000
			5.0	4.0
032-000	STUDY TOURS	10.000	10.000	-
033-000	IN-SERVICE TRAINING	5.318	5.318	-
040	EQUIPMENT			
041-000	EXPENDABLE EQUIPMENT	7.000	3.500	3.500
042-000	NON-EXPENDABLE EQUIPMENT	19.500	19.500	-
049	COMPONENT TOTAL	26.500	23.000	3.500
050	MISCELLANEOUS			
051-000	OPERATION & MAINTENANCE	10.000	5.000	5.000
059	COMPONENT TOTAL	10.000	5.000	5.000
099	BUDGET TYPE TOTAL	342.123	247.081	95.042

Comments to proposed budget covering DP/PDY/87/001

Activities: 04/1991 - 09/1992

1/ BL 011-100 Industrial Economist:

Experienced industrial economist is required to review/guide/supervise preinvestment studies done by RSCD in line with recommendation of PPER and CTA final report. Split missions: 6 weeks each.

2/ BL 011-530 Data Base Expert:

Data base expert was unable to establish data bank, although his training work was commendable, his premature departure not authorized by UNDP/UNIDO and not consulted with national counterparts has complicated matters heavily. Experienced data base expert with practical achievements to his credit is required for this task. Split mission: 2 months-data bank establishment; 1 month-supervision of data collection process and data base utilization, "troubleshooting" ; after 6 months.

3/ BL 011-970 Short Term Consultants:

1mm Local Area Network/LAN/
- establishment + training.

1mm Training course in Pre-investment studies preparation and appraisal for new cadres of I.P.A, Aden Free Zone Authority, Industrial Bank. International Expert to coordinate training activities and provide substantive training inputs and missing expertise on: market analysis, financial analysis, ECBA. Majority of training inputs provided by RSCD staff.

4/ BL 031-000 Fellowships:

1 x 2mm - Computer Maintenance
2 x 1mm - Privatization
2 x 1.5mm - Investment Promotion

5/ BL 032-000 Study Tours:

Pending study tour: Omer Orabi, Taha M. Shaker.
suspended in 1990 due to unification process.

6/ BL 042-000 Non-expendable Equipment:

1 IBM PS2/80 Computer system + math coprocessor
+ external hard disk 500 MB
6 Modems for access to distant data bases
Equipment for L.A.N.

APPENDIX C

JOB DESCRIPTION

DP\PDY\87\001\

POST TITLE: Expert in Metal Forming/Processing,
DURATION: six weeks,
DATE REQUIRED: 01.October 1991,
DUTY STATION: Aden, Republic of Yemen.

PURPOSE OF PROJECT: Strengthening the capacity of the Research, Studies and Contracting Department /RSCD/ of the Ministry of Industry, Aden Branch, in performing its functions in preparing, evaluating, selecting and implementing industrial feasibility studies.

RSCD is currently undertaking the preparation of three feasibility studies for the private sector investors. Technical/technological expertise, not available locally, is required in the following areas:

- steel rolling,
- aluminium sheets forming,
- galvanizing steel pipes.

In the absence of any steel or aluminium production in the country, all three projects will completely depend on imports of their major inputs ie. steel ingots, rolled aluminium sheets and non-galvanized steel pipes respectively.

DUTIES: In close cooperation with the National Counterparts the Expert will be responsible for preparing technical and engineering aspects of three feasibility studies being prepared by the Research, Studies and Contracting Department.

The three projects cover:

- steel rolling plant,
- manufacturing of aluminium sheets and panels for building industry,
- galvanized steel pipes manufacturing.

The Expert will be specifically expected to:

- review thoroughly the results of market studies and demand and sales projections for rolled steel, aluminium sheets

and galvanized steel pipes, prepared by the RSCD staff and submitted prior to his departure for the duty station.

- establish the feasible normal plant capacity for all three projects, taking into consideration the minimum economic size as well as availability of appropriate technology, equipment and local manpower conditions.
- in cooperation with the RSCD Counterparts prepare the supply programmes and cost estimates for materials and inputs.
- verify the proposed location and sites for all three projects, in view of costs, availability of utilities and environmental impact of projects' operation.
- provide information on available technologies and suggest optimum selection within existing conditions.
- specify optimum equipment, including detailed itemized description, sources of supply and cost estimates.
- advise on the scope and specification of the civil engineering works required, including preparation - in close cooperation with the RSCD staff - of cost estimates.
- based on the developed plant design and organization, set up cost centres and estimate manpower and overhead costs of plants' operation.
- prepare the optimum implementation programmes; their time schedules and cost estimates.
- whenever necessary, provide advise and guidance to the RSCD staff with respect to other aspects of the three feasibility studies.

The Expert will also prepare the final report, summarizing the accomplishments of the mission and presenting his recommendations to the Government on further actions which might be necessary.

QUALIFICATIONS: M.Sc in Mechanical Engineering.

Good engineering background with specialization in steel and aluminium processing technologies. Extensive practical experience in preparation of feasibility studies and establishing plants with the production profiles specified above.

LANGUAGE: English; knowledge of Arabic will be an asset.

BACKGROUND INFORMATION: The low returns on investment in the industrial sector recorded in the then PDRY since 1984 could, apart from adverse economic conditions, be partly attributed to perceived weaknesses in the technical preparation of the investment decisions.

These shortcomings were at the foundation of the project DF/PDY/87/001, the major objective of which was to strengthen the capacity of the then Ministry of Industry, Trade and Supply in the field of preparation, evaluation and implementation of the industrial feasibility studies.

As a result, the RSCD Counterpart staff is now capable of performing most of the tasks involved in preparation and evaluation of the feasibility studies. The specialized, technical expertise is however missing. This shortcoming, if not solved by providing short-term specialized consultancy, may lead to sub-optimal investment decisions.

The unification of PDRY and YAR, declared on 22 May 1990, has created a new economic, political and administrative environment, specifically in the southern region of the country /former PDRY/.

Although the centre of political and administrative gravity has shifted to Sana'a - Aden, with strong branches of practically all ministries, substantial autonomy and perspective of being declared a free zone, remains to be envisaged as the main industrial and commercial centre of the country.

The rapid transition of the former PDRY centrally planned economy into the market-oriented one, substantial increase of the scale of the market /ROY has the population of 14.6 mln. as compared with PDRY's 2.2 mln/, new investment law simplifying procedures and creating incentives for private entrepreneurs - all this has created the entirely new investment climate in the south, substantially increasing the interest of private investors / and in particular of the Yemeni emigrants returning to the country / in the investment opportunities offered by the southern region.

As a consequence of these changes the Ministry of Industry, Aden Branch - with its RSCD staff practically intact despite the administrative restructuring - is, to the increasing degree, catering to the needs of the private entrepreneurs in the region.

The major shortcoming, suffered to even larger degree by the private potential investors, is insufficient information on modern technologies, costs and alternative sources of supply.

The country is still at the infancy stage of the industrial development with total industrial sector activities contributing only 7.7% of GDP in PDRY in 1989. The number of employees in the "metal and equipment" sector

was 1,273 ie.11% of the total employment in the manufacturing sector in YAR in 1984 /most recent data available/ and 1,236 ie.15% in PDRY in 1988 respectively. Practically no investment was recorded in this sector in PDRY in the period 1988-1990.