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

DP/PDY/87/001

REPUBLIC OF YEMEN

Terminal Report*

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

Based on the work of J. Lukasik, industrial economist
and chief technical adviser

Backstopping Officer: D. Ghozali
Feasibility Studies Branch

United Nations Industrial Development Organization
Vienna

* This document has not been edited.
EXPLANATORY NOTES

Currency exchange rates:

1 YD = 2.86 USD until May 1990
1 YD = 2.20 USD since May 1990
1 YD = 26.0 Rials /YAR/ since May 1990

Note: both currencies are in operation in the united Republic of Yemen since 22 May 1990.

PDRY - People’s Democratic Republic of Yemen,
YAR - Yemen Arab Republic,
ROY - Republic of Yemen,
MITS - Ministry of Industry, Trade and Supply,
RSCD - Research, Studies and Contracting Department,
MI - Ministry of Industry / since 22 May 1990 /,
MT - Ministry of Trade,
MoP - Ministry of Planning,
MoF - Ministry of Finance,
BoY - Bank of Yemen,
TFYP - Third Five-Year Plan /1986-1990/,
IPA - Investment Promotion Agency,
IID - Institute of International Development, Washington D.C.

CTA - Chief Technical Adviser,
IE - Industrial Engineer,
FA - Financial Analyst,
NPC - National Project Coordinator,
PPER - Project Performance Evaluation Report,
TPR - Tripartite Project Review,
COMFAR - Computerized Model for Feasibility Analysis and Reporting,
ECBA - Economic Cost Benefit Analysis,
Manual - Manual for the Preparation of Industrial Feasibility Studies, UNIDO, ID/206,
ABSTRACT:

**Project Number and Title**

DP\PDY\87\001\E\37. Strengthening the Research, Studies and Contracting Department of the Ministry of Industry, Trade and Supply.

**Project Duration:**

Two years.

**Purpose of the Project:**

The purpose of the project is to strengthen the capacity of the Research, Studies and Contracting Department of the Ministry of Industry, Trade and Supply in performing its function of preparing, evaluating and implementing industrial feasibility studies. This is to be effected through the introduction of newly formulated institutional arrangements and through upgrading the skills and know-how of the national staff. The primary function of the project is institution building.

**Main Conclusions and Recommendations:**

All, except one, project activities proceeded at the satisfactory pace and the targets will be achieved by the closing date of the project.

Demand for the scarce skills of the industrial project analysts will increase in Aden after the unification. Counterpart staff, now fully intelectually and technically capable of providing government with expertise in various fields of the pre-investment studies, require extended period of intensive application of the acquired methodologies and techniques under the guidance of the experienced international experts.

This is necessary for the counterpart staff members so that they become fully conversant with the intricacies of practical applications of the methods and techniques at their disposal, thus being able to consistently deliver work of the internationally acknowledged standards.

The project’s operations should be extended for at least another two years in order to make the institution building process fully comprehensive and to accommodate the consequences of the unification.
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INTRODUCTION:

A. Technical Notes:

1. This paper is not the Terminal Report for DP/PDY/87/001 but only the CTA’s final report, covering 1.5 years of Project’s achievements. It should be borne in mind that the Project is still on-going and that several activities are being continued or will only be initiated after the closing date of this report.

B. Project Background:

Since its independence in 1967 PDRY has adopted a centrally planned economic system, consisting of five year’s cycles in the form of increasingly comprehensive development plans.

In 1987, when the need for this Project was identified and formulated, the industrial sector of PDRY was limited to approximately 60 small and medium scale enterprises in such fields as chemical industries, textile and clothing and metalworking. All major enterprises in the country belonged to the public sector, which was receiving the largest share of investment. The total contribution of the manufacturing sector to the country’s GDP did not exceed 10%.

The TFYP /1986-1990/ allocated 46.6% of the total investment expenditure to the industrial sector, which reflected the government’s commitment towards the transformation of the traditional economic structure of PDRY into the more industrialized one.

Although the government has repeatedly expressed its preparedness to stimulate private investment in the industrial sector, the role of the private sector in industry was small and the propensity to invest – expressed by the private entrepreneurs – low.

What is more, the industrial sector has been characterized by the low returns on investment, two major reasons for it being:

- low level of capacity utilization resulting from inadequate management capabilities, lack of technological know-how and the shortage of skilled manpower,

- pre-investment studies were inadequate for ensuring rational investment decision-making and/or shortcomings existed in the decision making at the investment phase.
A review of past investments revealed certain shortcomings, ranging from market capacity over-estimation to inappropriate technology choice.

The first of the two reasons of poor returns on investment mentioned above has been addressed by a number of technical assistance projects. It was for the specific purpose of addressing the second shortcoming that the project DP\PDY\87\001 has been conceived.

The major institution responsible for all pre-investment activities of MITS was the Research, Studies and Contracting Department. This Department was found to be weak in terms of human and technical resources; its major weaknesses largely determined by the following factors:

- lack of specific methodologies, national guidelines and standards for the preparation, evaluation and implementation of industrial feasibility studies,

- non-existence of national investment criteria related to development objectives, which would enable the selection of investment-prone projects,

- lack of adequately trained staff members, both in terms of technical pre-investment analysis and technological subjects related to this sector,

- lack of reference documents and technological data and statistics.

The major reasons for UNDP/UNIDO assistance to MITS were listed as follows:

- to transfer the appropriate methods and techniques and adapt standard international methodologies of pre-investment projects' preparation and evaluation in order to avoid increasing PDRY reliance on foreign expertise,

- to enhance national planning capabilities through strengthened RSCD, better capable of generating investment opportunities,

- to improve the expertise of RSCD staff in view of the envisaged increase in investment activities due to expected inflow of oil revenues following the oil discovery in the Shabwa province,

- to secure the optimal allocation of the scarce budgetary resources as well as to attract the private and external institutional investors through the intensive generation of bankable investment opportunities by the strengthened RSCD.
The unification of PDRY and YAR, declared on 22 May 1990, has altered significantly the Project's operational framework.

The rapid transition of the former PDRY centrally planned system into the market-oriented one and the merger of the two economies, increasing interest of the private entrepreneurs in investment opportunities in the south, much larger scale of the market of the united country /frequently turning the formerly non-viable investment opportunities into feasible ones/, new institutional set-up - all these elements, and many others, have created an entirely new environment for the Project.

The center of political and economic decision-making has moved to Sanaa - the capital of the united Republic of Yemen.

The following institutional changes, relevant from the point of view of the Project's objectives, resulted from the unification of the country:

- the former MITS has been divided into two ministries: MI and MT, with headquarters in Sanaa and strong branches in Aden,

- Investment Promotion Agency /also with a major branch in Aden/ will be established under the new investment law which, at the time of writing this report, is pending approval of the National Assembly. The division of responsibilities between this new body and MI with regard to pre-investment studies' evaluation, approval and project licencing remains, however, unclear.

- Industrial Bank - the major institution financing private entrepreneurs' activity in the north - is in the process of establishing its major branch in Aden.

In fact, most of the ministries with headquarters in Sanaa retain strong branches in Aden.

As can be clearly inferred from the above administrative arrangements as well as from the official declarations, Aden is envisaged to be the country's major commercial and economic centre.

C. Official Arrangements:

UNDP/UNIDO assistance to strengthen the capacity of RSCD, MITS in performing its function in preparing, evaluating and implementing industrial feasibility studies was requested by the government of PDRY in 1987. The project document was signed in June 1988.
The Project became operational on 10 March 1989 with the arrival of the CTA at the duty station, and is scheduled to terminate on 09 March 1991.

As specified on the front page of the Project document, the duration of this Project should be 3.5 years. However, since Project budget's allocation as well as schedule of activities annexed to that document were spread over the period of 2 years - such operational lifetime of the Project was assumed by the CTA and NPC. All further references to the Project's completion date will therefore refer to 10 March 1991 i.e. two years after CTA's arrival at the duty station.

The Project was specifically addressed to RSCD, MITS. All impacts of its activities reaching beyond this unit will therefore be considered as externalities.

Government Implementing Agency was the former Ministry of Industry, Trade and Supply.

Project Counterpart Staff consists of 14 staff members of RSCD and National Project Coordinator.

Project’s International Staff consisted of Industrial Economist /CTA/ and Industrial Engineer, who joined the Project in November 1989.

Despite the reorganization of the administrative structure of the country, following unification of the two Yemens /22 May 1990/, the Project continues to operate with the same counterpart staff members, who all remained in the Aden Branch of the Ministry of Industry.

D. Contributions:

Original UNDP contribution..........................US$ 692,800.00
Last budget revision /May 1990/.........................US$ 816,190.00
Government contribution..............................in kind.

E. Objectives of the Project.

The development objective of the project is to improve industrial planning capacities and maximize the returns of the industrial sector through better identification, preparation and analysis of feasibility studies, leading to sounder investment choices and optimization of scarce resources.

The two immediate objectives were specified in the Project
Immediate objective I:

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

Immediate objective 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 of MITS.

Immediate objectives will be attained by the completion date of the Project.

F. Training:

A comprehensive scheme of local training activities was developed with the aim to supply or upgrade missing or inadequately developed methodologies, skills and know-how.

7 training courses of various durations and intensity were implemented. The remaining three are scheduled between October 1990 and February 1991. Over 80 persons from RSCD, other MITS departments as well as other ministries and corporations benefitted from these courses.

11 persons /only RSCD staff/ attended specialized training courses abroad and 1 is scheduled to commence fellowship programme in January 1991.

Professional skills of most of the trainees were markedly upgraded in the course of these activities. It is to be regretted that in few cases inadequate command of English did not allow some participants to fully benefit from the training opportunities offered.

G. Equipment:

All equipment, with exception of replacement of one tractor feeder /wrong model sent by supplier/ and one software package /faulty diskette/ have been received and are in operation.
Year-end inventories’ list, verified and signed were duly sent to PAC.

A complete list of the equipment at the disposal of the Project has been prepared, verified, signed and submitted to UNIDO Headquarters and UNDP Aden upon departure of the CTA from the duty station.

Equipment, with two abovementioned exceptions, met specifications and requirements of the Project management.
RECOMMENDATIONS:

1. Demand for the scarce skills of industrial project analysts will undoubtfully increase in Aden after the unification of the two Yemen states as a result of:
   - relatively large autonomy given to the southern part of the country (formerly PDRY),
   - more vigorous private investment activity,
   - establishment of new institutions involved in project preparation, evaluation and financing.

   The target unit, towards which DP/PDY/87/001 was addressed, should therefore be preserved, cultivated and further developed.

2. In order to become fully conversant with the intricacies of the methodologies and techniques supplied by the Project and to be able to deliver work of international standards, counterpart staff should intensively apply acquired skills in their daily routine activities under the temporary guidance of experienced international experts.

3. Another group of government officials, specifically that of IPA and IB, and private entrepreneurs should be offered comprehensive training opportunities arranged locally to meet the increase in demand mentioned under 1.

4. National parameters should be developed for the united ROY in order to enable meaningful economic evaluation and ranking of investment projects.

5. The process of reaching the full capacity of the data bank should be intermittently monitored by international expert, so that the government could avail itself of full benefits of its operations as early as possible.

6. In view of the above recommendations it is suggested that the Project’s operation be extended for at least two more years in order to make the institution building process fully comprehensive and to accommodate the consequences of the unification.

   Its profile should, however, be changed as compared with the original project document.
Methodologies having been introduced, equipment installed and techniques and skills developed - the major emphasis of the next phase with respect to the original Project’s target group should now concentrate on practical applications and refinement of the acquired skills.

Organized training activities should be addressed to the new batch of trainees in order to develop cadres for the newly established institutions and in the private sector.

7. If this suggestion /6./ is approved, a post of full-time Administrative Assistant should be established in the Project so that the international experts could fully concentrate on substantive matters.
I. ACTIVITIES AND OUTPUT.

Project activities and accomplishments related to outputs, as formulated in the Project document, are presented and discussed below:

Output 1.

A comprehensive set of practical methodologies, guidelines and procedures specifically prepared to suit the conditions/requirements of PDRY, in the form of English and Arabic operational manuals covering the 6 operational fields of RSCD.

After a thorough review and assessment of the RSCD needs and requirements and numerous discussions with the Project's NPC, the following areas were identified as those demanding in-depth coverage in the form of operational manuals/guidelines:

- market analysis,
- technical analysis,
- financial analysis and evaluation,
- economic analysis and evaluation,
- tendering procedures and tenders's evaluation,
- contracting and evaluation of contracts.

Three manuals were finalized and distributed, i.e.

- manual for market analysis and forecasting /English version - CTA/,
- manual for technical analysis /Arabic version - IE/,
- manual for financial analysis and evaluation /English version - FA/,

The first two manuals are of comprehensive character, covering practically all the relevant subjects, whereas the third one is of a more supplementary nature - dealing with the subjects not sufficiently covered in the literature available in the project.

Economic analysis and evaluation is dealt with under output 1.2.

Outlines for the manuals on tendering procedures and on evaluation of contracts were submitted by the UNIDO Consultant in Contracting and approved by the Project staff and counterparts. However, due to the sudden illness of the Consultant, he could not be recruited. The search for a replacement was underway at the time of writing this report. This has delayed the accomplishment of the two manuals.

Appropriate methodologies were also implemented through group
training activities /details under output 2.1./ and on-the-job training of the RSCD staff as well as of the officials from other departments of MITS and various central institutions.

Output 1.2.

A set of investment criteria for the selection and ranking of industrial projects in the form of Arabic and English manuals to be used by the Department when making recommendations and by decision makers when reviewing investment proposals.

Commercial evaluation criteria were specified in sufficient detail under output 1.1. The comprehensive solution of the problem of economic evaluation was considered to reach beyond the scope of this Project as no uniform set of national parameters existed either in PDRY or in YAR. Neither was the decision made on the methodology to be applied for the purpose of economic project evaluation.

The following steps were therefore taken by the Project management to arrive at the standard criteria for projects' appraisal from the macro-economic standpoint:

- development of an investment policy paper for review and discussion by the policy makers,
- organization of a workshop for high-level decision makers from central institutions /based on the policy paper/, which would lead to consensus on the choice of methodology and proposed action plan.

The development of national parameters and criteria for project screening and ranking, would be the next logical step to follow.

A draft Investment Law, prepared in March 1990 for PDRY only, was obtained by the CTA and forwarded to the UNIDO consultant for the use in preparation of the investment policy paper. The draft investment policy paper was prepared by the UNIDO Consultant, submitted and distributed to all parties concerned /August 1990/ in two versions /Arabic and English/, and preparations for the workshop completed.

However, in the wake of the unification, the authorities prepared Investment Law for the unified country. Despite numerous efforts, the draft of the most recent version could not be made available to the Project management.
Output 1.1.

An information reference unit capable of collecting reference documents and data for use by the entire Department, manned by one trained counterpart.

In view of the inadequate data available in PDRY and the increasing demand for information, given the envisaged increase in the RSCD activities, it was decided by the Project management to carry this output beyond the framework specified in the project document.

The first step was to establish a reference library containing positions directly relevant to the day-to-day operations of the RSCD.

The second - more ambitious and requiring more time, effort and expertise in its establishment and operation - was to develop the computerized data bank, facilitating operations of RSCD and providing MITS with reference data for comparative projects' studies.

The reference library, containing over 160 titles, is fully operational.

Computer hardware and software has been installed and is fully operational. The UNIDO Consultant, required for development of the data bank as well as on-the-job training of the counterpart staff, was identified, approved and expected to arrive in Aden in October 1990.

Output 2.1.

A programme of a minimum of seven periodical training courses for the national professional staff, organized and conducted at MITS by the internationally recruited experts, introducing each of the sets of procedures, methodologies and guidelines, as well as courses on COMFAR and other relevant subjects to be determined in the course of project implementation. The training courses will spread out over the duration of the project as not to hinder the day-to-day operations of the Department.

The comprehensive scheme of the training activities /including course outlines/ was prepared by the CTA in April 1989, in consultation with NPC and after a thorough assessment of the national counterpart staff background, capabilities and training needs.
It was subsequently redesigned and readjusted in the course of the Project's development.
The following training courses were planned, designed and completed by the end of September 1990:

- Computer Applications,
- COMFAR I,
- Investment Project Preparation and Evaluation,
- Computer Orientation - DOS,
- Computer Orientation - Wordperfect,
- Market Analysis,
- COMFAR II - ECBA.

Three more courses were scheduled to be organized before the end of February 1991, namely:

- Technical Aspects of Feasibility Studies,
- Tendering and Contracting,
- Data Bank Management.

The sequence of training activities was arranged in such a way that the "task force" of the RSCD staff, who had previously gained formal training as well as practical experience in pre-investment projects' preparation and evaluation, could start using computers, software and methodologies provided within the framework of DP/PDY/87/001 as early as possible.

Therefore, as soon as the equipment was installed and made operational, the general Computer Applications course was organized /October/November 1989 - UNIDO Consultant/, followed immediately by the training programme on the UNIDO-developed COMFAR software /November/December 1989 - UNIDO Consultant/, thus enabling more experienced counterpart staff members to apply computerized techniques of industrial projects' financial analysis and evaluation.

The standard UNIDO training course in Industrial Project Preparation and Evaluation was then organized /January-March 1990 - CTA, IE, FA/ for those counterpart staff members lacking formal training in the comprehensive methodology of industrial projects' preparation and evaluation.

A substantial number of participants from other relevant government institutions were also invited to participate.

As an experiment in "knowledge dissemination" - which apparently has proved quite successful - two RSCD staff members, upon their return from fellowships /IID,Washington, USA/ were requested by the Project management to organize 1-week training modules for their Department colleagues.

Two computer-orientation courses - one covering Disc Operating System and the other: Wordperfect 5.1 wordprocessing software - were thus organized in August by Messrs: Iqbal Munir and Abdulla Ba-Hannan respectively, under the guidance of the CTA.
The logic of the Project's overall training scheme was to introduce a series of more specialized training activities, covering in depth the selected aspects of RSCD operations. This phase was initiated in September 1990 by the two intensive training courses in Market Analysis /CTA/ and COMFAR-ECBA /UNIDO Consultant/ to be followed by the remaining three, scheduled between October 1990 and February 1991.

The total of over 80 officials from MITS, MoF, MoP, BoY, and several other central institutions and public sector enterprises participated in the courses organized within DP/PDY/87/001. The training premises provided by MITS as well as Project equipment were of good standard.

The level of interest and motivation of most participants was found to be high, however - in some cases - their background did not allow some participants to fully benefit from the course programme.

It has to be noted that, as a consequence of restructuring of the central institutions following the unification of YAR and PDry, the degree of participants' motivation over recent months, and particularly: April-August, was markedly lower than in the previous period.

Copies of the course programmes, lists of participants training materials prepared by UNIDO Consultants, IE and CTA as well as the consultants' final reports, are in possession of RSCD, UNDP Aden and UNIDO.

Output 2.2.

A number of case studies, specified below, 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. The case studies were to be prepared in the following quantities, related to the present and required capacity of the Department:

-Thirty opportunity studies /project profiles/;
-Eight pre-feasibility or feasibility studies;
-Six appraisals and evaluations of feasibility studies;
-Three subcontracting procedures for feasibility studies fully completed;
-Six tendering procedures fully completed, based on elaborated criteria and guidelines;
-Six contracting evaluations fully completed, based on elaborated criteria and guidelines.

As the investment funds allocated to industry were overspent
during the first three years of the TFYP's implementation - the majority of the investment projects approved since then were those financed from external sources. As a result hardly any indigenous demand for pre-investment studies existed in 1989.

The RSCD staff, having little immediate motivation to develop such studies locally, concentrated therefore on the evaluation of previously subcontracted studies prepared by foreign consultants.

Another reason for the relatively poor performance in this area was initially the inadequate know-how level of some RSCD staff.

The situation began to change in the early 1990 in anticipation of unification of the two Yemen states.

The changing investment climate towards the mid-1990, combined with the increased professional standards of the counterpart staff, represent good indications for the future. However, the quantitative output targets - as specified in the Project document - appear overambitious, given the assumed time-frame of the Project, and will most probably not be achieved despite the fact that this activity is gradually gaining momentum.

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.

CTA and IE participated in these activities on an ad-hoc basis, giving advice and guidance whenever requested.

A comprehensive exercise was also initiated within RSCD /coordinated by the CTA and RSCD Director/ in order to identify new investment opportunities.

As a consequence 7 project ideas were earmarked for further development. Teams were organized, workplans developed and fieldwork initiated.

This activity was introduced in order to conduct on-the-job training for the Project's counterpart staff in an organized, comprehensive manner and is being continued by IE.
Output 2.3.

A fellowship programme, to complement the training offered in PDRY, 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.

A comprehensive fellowship programme was developed by the CTA, in coordination with NPC, in April 1989 as part of Workplan I and was subsequently modified and corrected in view of the changing local demands and availability of the training opportunities.

The major objectives of the programme were as follows:

- provide in-depth training for selected counterpart staff in subject areas beyond the specialization of the international project staff,

- provide individual, specialized training in subject areas, for which organizing local training courses did not prove viable because of the financial/time constraints.

- give international exposure to less experienced counterpart staff,

- provide information necessary for successful preparation and implementation of specific investment projects /study tours/.

By the end of September 1990, 6 counterpart staff members have completed training, 5 were undergoing training abroad and the placement of the last remaining candidate was secured and confirmed.

Two study tours were completed and the remaining one, for which preparations had been finalized in May 1990, was suspended at the government request.

The detailed list of training institutions, courses attended, fellows' names and positions is presented in the Annex.

Final reports prepared by those fellows who completed training were submitted to UNDP Aden and UNIDO Headquarters. Copies are also available in the Project files.

Output 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. Trained national counterparts under the supervision of the experts were to conduct training seminars for the staff of other institutions such as the Ministry of Planning, the Bank of Yemen and the central Statistical Organization in order to enhance co-ordination and harmonization of procedures.

In view of the comprehensive coverage of the training framework developed under Output 2.1, it was agreed by the Project management that the additional training course was redundant. Instead, as suggested in the first PPER, the status of this output was redesigned and upgraded to correspond with the output 1.2.

A workshop was therefore designed - addressed to the high level decision makers /Deputy Minister, Permanent Secretary level/ - which, based on the investment policy paper, would result in a consensus on the choice of ECBA methodology selected for ROY as well as an action plan for the development of the economic investment criteria.

The following institutions from Sanaa were invited to participate:

- Ministry of Industry,
- Ministry of Planning and Development,
- Ministry of Trade and Supply,
- Ministry of Finance,
- Prime Minister’s Office,
- Bank of Yemen,
- Industrial Bank,
- Chamber of Commerce,
- Customs Authority.

Invitees from Aden comprised branches of all above institutions as well as Ministry of Agriculture, Ministry of Energy, Ministry of Fishwealth and College of Economics. Representatives of public corporations and private entrepreneurs were also invited. After the preparations had been completed, the workshop - scheduled for 19-21 September 1990 - was at the last moment postponed by the government and will take place at a later date.

Summary.

The status of all but one project’s output should be considered as satisfactory and their completion - on schedule.

With respect of two outputs /1.3. and 2.1./ the project has achieved more than originally planned.
The quantitative targets of output 2.2. will not be reached on time due to circumstances discussed above, although this activity is also gaining momentum. The unaccomplished outputs may be included in the next phase of the project.
II. ACHIEVEMENTS OF THE IMMEDIATE OBJECTIVES.

As stated in INTRODUCTION, this Project was still on-going and therefore only the likelihood of achieving the immediate objectives at the Project's completion date can be estimated at this stage.

The achievement of these objectives will be appraised with respect to the following aspects of the institution building process:

1. Organizational structure.
3. Equipment.
4. Staff.
   4.1. Staff position.
   4.2. Skills and know-how.
   4.3. Morale.

Ad. 1. Organizational structure of the RSCD was given as an external factor to the Project and no suggestions/actions were expected from the Project management by MITS.

The Department consisted of three sections:

- Research Section - dealing with collection of background data and preparation of project profiles/opportunity studies.
- Studies Section - whose major responsibilities concentrated around preparation and evaluation of pre-feasibility and feasibility studies.
- Contracting Section - dealing with subcontracting of more complex pre-investment studies, preparation of tender documents as well as contract drafting and negotiations for the approved investment projects.

Ad. 2. Methodologies.

UNIDO methodology for various aspects of industrial project preparation and evaluation has been intensively promoted by the international staff throughout numerous project activities. Wherever necessary - adaptations were made to suit specific local conditions.

As a result, the target beneficiaries' group is now equipped with the sound methodological foundations for basic pre-investment studies' preparation and evaluation.
The completion and implementation of the tendering and contracting methods and manuals is expected to be accomplished by the end of the Project’s operational lifetime. The full implementation of the remaining methodological output /ECBA/ may take more time, despite the fact that all possible theoretical /COMFAR-ECBA training course/ and practical /investment policy paper, decision makers’ workshop/ steps were taken, and despite the fact that such methodologies of proven practical applicability exist.

This is because of the prerequisites, external to the Project, that need to be fulfilled /government decision on the choice of methodology, establishment of national parameters/ before the methodology can be operationally applied at the Project level.

Ad.3. Equipment.

RSCD is now fully equipped in terms of computer capacity /5 IBM PS2 computers plus peripherals/, copying /2 1215 Canon photocopiers, laser stencil scanner and copier, typewriter/ and communications /1 350 Canon fax/, which significantly improves RSCD operating capabilities.

No major item of equipment is kept idle, which indicates that the choice of equipment was optimal.

All five computers are being increasingly used by the RSCD staff, although the full utilization of the available capacity will probably not be achieved within the Project’s operational lifetime.

The substantial software library was established by the CTA in order to enable better utilization of the available computer facilities.

Ad.4. Staff.

4.1. Staff position.

In quantitative terms the Department was 13 people strong at the time of the commencement of the Project, including the Department Head.

Two persons have left and three have been recruited during the following 18 months.

Their educational background appears to be heavily biased towards technical fields /11 engineers/.

Although the training scheme, designed at the beginning of the Project’s operations – and particularly the fellowships’
programme - aimed at covering the gaps in the counterpart staff members' theoretical background, RSCD still experiences the shortage of economists and at least one trained statistician in view of present and envisaged profile of activities and expected workload. The recruitment process was naturally beyond the scope of the Project's activities however, the matter was brought-up several times with the NPC.

4.2. Skills and know-how.

In the first phase of the project heavy emphasis was put by the Project management on the training activities in order to increase target beneficiaries' skills in preparation and evaluation of the pre-investment studies as well as in computer operations.

A substantial amount of training, both locally organized and in the form of fellowships in the training institutions of high reputation was offered to the RSCD staff members as indicated in the previous chapter (outputs: 2.1. and 2.3./). This, without doubt, has markedly improved the general methodological standards as well as the technical skills of the Project counterpart staff in various aspects of preparation and evaluation of all types of pre-investment studies.

As a result the overall standard of know-how of the national counterpart staff has markedly increased, which can be proven by the quality of their professional performance.

However, the majority still has insufficient on-the-job experience, particularly in the application of the newly acquired methods and procedures.

This was due to inadequate time-frame within which the Project's objectives were scheduled to be achieved, particularly in view of 4.3 below.

Since, as indicated before, the background level of the counterpart staff differed significantly, both in terms of substantive knowledge and command of English, the level of skills and capabilities is still far from being uniform throughout the Department.

4.3. Morale.

It should be noted here that the procrastinated period of restructuring of the central administration - following the unification of the country - has had its obvious effect on the morale of the Project's national counterpart staff. The level of the individual motivation has dropped, in some cases
substantially. This however, should be considered as a temporary phenomenon. In fact, towards the end of the period covered by this report, the signs of "recovery" could already be observed.

Summary:

If treated "verbatim" both immediate objectives are likely to be satisfactorily achieved by the end of the operational lifetime of the Project.

The institutional capacity of RSCD has already been substantially strengthened and the methodological and technical pre-investment expertise of professional staff of 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.

If however, the implicit objective of the project is to be perceived as to make RSCD fully self-sufficient in preparation and evaluation of the pre-investment studies of the international standard - the attainment of such objective requires further process of accumulating on-the-job experience under the guidance of proficient international experts.
III. UTILIZATION OF THE PROJECT RESULTS.

Although the organizational unit /RSCD/ already existed and operated at the time of commencement of DP/PDY/87/001, as a result of the Project’s activities its institutional capacity has been substantially upgraded in terms of equipment and professional capabilities of the professional staff.

As a consequence the Aden Branch of MI has now a full-fledged organizational unit capable of handling all aspects of pre-investment studies’ preparation and evaluation, i.e.

- identification of investment opportunities,
- preparation of investment opportunity, pre-feasibility and feasibility studies, as well as various support studies,
- evaluation of market, technical, financial and economic aspects of the industrial investment projects.

The unit is fully equipped in terms of hardware and theoretical know-how. In fact, skills acquired by the RSCD staff throughout the period of Project’s operations, both in the form of locally organized training and specialized fellowships - combined with the available equipment - make it probably the most comprehensive unit specializing in pre-investment studies in the whole ROY.

It should however be realized that the staff members have only begun to apply in practice their newly acquired knowledge and skills.

It will require some time before full use will be made of the available computer capacity, despite the amount of training the counterpart staff members have been subjected to.

Becoming conversant with the intricacies of all software made available through DP/PDY/87/001 requires continuous practice.

Time will also elapse before counterpart staff members will become fully comfortable with the methodologies transmitted to them through the Project activities.

Computerized data bank will probably not be operating at full capacity before the lapse of one year from the commencement of its establishment, considering problems with statistical data availability and present shortage of staff capable of its collection and processing.

In terms of direct application of the Project’s results in day-to-day practical operations of RSCD, measured by the quantity of studies and appraisals prepared by the counterpart staff, the
performance was below the targets specified in the Project document. Several reasons should be mentioned here, among which the most important ones are:

- Initial Project’s start-up delays, aggravated by the lengthy and cumbersome administrative procedures,
- Inadequate demand for pre-investment studies in PDRY, resulting from circumstances discussed in Chapter II, Output 2.2.
- Inadequate system of moral and financial incentives for the RSCD staff.
- Initially insufficient methodological background of the government counterpart staff.

In the circumstances, it was decided by the Project management to concentrate primarily on various aspects of training activities in order to lay-out sound foundations for further, improved practical performance of the counterpart staff.

Despite its temporary impact on morale of the counterpart staff the unification of the country has brought about the substantial change in the scope of pre-investment activities and the marked increase in demand for pre-investment studies’ preparation and evaluation.

As a result, after a period of lower intensity of the target unit’s activities, in the last months of the period covered by this report the practical application of the Project’s results has been significantly intensified.

This trend will certainly continue.

The output of far-reaching implications, beyond the scope of the Project, is the workshop on investment policy for high level decision makers, which should lead to consensus on ECBA methodology to be approved for ROY and, subsequently, to the development of national parameters.

This activity, prerequisites for which have been completed in August 1990, was being delayed by the government in view of the implications of the unification process.

It should, however, be realized that this is a very specific period in the history of two Yemen states. The process of merger of two different political, economic and social systems can not proceed without perturbations and the government institutions’ performance can not be expected to be unaffected.
Summary:

Solid foundations have been laid-out to create a comprehensive, competent, fully self-sufficient pre-investment studies' unit capable of delivering work of internationally acceptable standards.

The highly restrictive time-frame of the Project has called for a very intensive, concentrated scheme of activities in order to achieve the outlined objectives, whereas - at the same time - external factors delayed implementation of some of these activities.

In order to reach 100% capacity utilization level the counterpart staff members require substantial amount of practical experience based on introduced methodologies, work procedures and teamwork patterns established throughout the Project’s operations.
IV. CONCLUSIONS.

PROJECT : DIRECT.

1. Project outputs, as planned in the Project document, appear to be overambitious given the time-frame of DP/PDY/87/001. As a result, the time-schedule of Project activities was very tight, which did not always allow counterpart staff members to consolidate the newly acquired skills through continuous practical experience.

2. Despite the constraints and limitations mentioned under 1. and 5.1. all, except one, of Project's activities proceeded at a satisfactory pace and the targets will have been achieved by the closing date of the Project /March 1991./.

3. Counterpart target unit is now intellectually and technically capable of providing the government with expertise in various fields of pre-investment studies' preparation and evaluation. Computerized data bank, which is in a process of being established, will certainly facilitate its activities, once it becomes fully operational.

4. In order to be fully conversant with the intricacies of the available methodologies and techniques at their disposal and to consistently deliver outputs of internationally acknowledged standards, the counterpart staff requires extended period of intensive application of the acquired methodology and know-how in their day-to-day activities, preferably - for some time - under the guidance of the experienced international expert.

GENERAL:

5. Unification of the two Yemen states has had two major impacts from the point of view of the Project.

5.1. Temporarily lowering the effectiveness of operations of the central government institutions as a consequence of administrative restructuring of the country, thus negatively affecting the counterpart staff morale.

5.2. Creating the entirely new environment for the Project, changing the profile and scale of demand for the counterpart staff services.

Ad 5.1. As a result of this impact some of the Project's activities could not proceed at sufficiently vigorous pace. This period is hopefully over and the intensity of activities has already begun to gain momentum in the period immediately
preceding the closing date of this report.

Ad 5.2. The consequences of this impact are at least threefold:

5.2.1. Increased scale of the domestic market requires a thorough revision of the substantial number of projects originally deemed not feasible for PDRY because of the inadequate market demand.

5.2.2. The improved investment climate and the emerging interest of the private entrepreneurs in investment opportunities has already resulted in acceleration of demand for pre-investment studies' preparation and - particularly - evaluation.

5.2.3. The establishment of new organizations /IPA, IB/ involved in promotion, licensing and/or financing of investment activities.

All three factors will, without doubt, increase the demand for scarce skills and capabilities represented by the Project's counterpart staff.

Although DP/PDY/87/001 external effect, i.e. training of the substantial number of government officials from outside RSCD, is considered significant from the point of increasing the understanding and unifying the methodology applied in project preparation and evaluation among various government agencies - the amount of training and practical experience was not sufficient to consider the external trainees as full-fledged project analysts. Another batch will thus have to be trained locally in view of the expected increase in demand for this type of skills.

TECHNICAL.

6. Administrative procedures were taking-up too much of the international staff members' time, which could have otherwise been more productively used on substantial matters.
ANNEX I.

DP/PDY/87/001 Counterpart Staff

1. T. M. SHAKER.  Asst. Deputy Minister. MITS. NPC.
2. O. ORABI.  Department Head, RSCD, MITS.
3. A. BIN-GHOUTH.  Head, Studies Section, RSCD, MITS.
4. I. MUNIR.  Studies Section, RSCD, MITS.
5. H.A. ABOODI.  Studies Section, RSCD, MITS.
6. A. SAKARIB.  Studies Section, RSCD, MITS.
7. A. W. ABDULLA.  Studies Section, RSCD, MITS.
8. A. BA-HANNAN.  Head, Contracting Section, RSCD, MITS.
9. H.A.H. YAHIA.  Contracting Section, RSCD, MITS.
10. M. DAHWA.  Contracting Section, RSCD, MITS.
11. A. SAEED.  Contracting Section, RSCD, MITS.
12. H. EL-GABRI.  Head, Research Section, RSCD, MITS.
13. B.A. AZIZ.  Research Section, RSCD, MITS.
14. A.A. ALAWI.  Research Section, RSCD, MITS.
15. M. GEBER.  Research Section, RSCD, MITS.
### ANNEX II

**International Staff DP/PDY/87/001**

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<thead>
<tr>
<th>Role</th>
<th>Name</th>
<th>EOD</th>
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<tbody>
<tr>
<td>1. Industrial Economist</td>
<td>MR. JANUSZ LUKASIK</td>
<td>10/03/89</td>
<td>30/09/90</td>
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<tr>
<td>/CTA/</td>
<td>/Polish/</td>
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<tr>
<td>2. Industrial Engineer</td>
<td>MR. SALAH SOLIMAN</td>
<td>05/11/89</td>
<td>31/03/91</td>
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<td>/Egyptian/</td>
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**Short Term Consultants**

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<tr>
<td>2. COMFAR Specialist</td>
<td>MR. DARIUSZ ROSATI</td>
<td>25/11/89</td>
<td>19/12/90</td>
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<td>and</td>
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<td>13/09/90</td>
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<tr>
<td>3. Financial Analyst</td>
<td>MR. AYMAN MIDANI</td>
<td>03/03/90</td>
<td>27/03/90</td>
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ANNEX III.

Technical Cooperation Personnel.

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<tr>
<td>1. Project Secretary</td>
<td>MS. ROSHAN A. KHAN</td>
<td>15/03/89</td>
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<td>/Yemeni/</td>
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STRENGTHENING THE RESEARCH, STUDIES AND CONTRACTING DEPARTMENT
OF THE MINISTRY OF INDUSTRY, TRADE AND SUPPLY
DP/MDY/87/001

IMMEDIATE OBJECTIVE 1

To strengthen the institutional capacity of the Research, Studies and Contracting Department of the Ministry of Industry, Trade and Supply (NITS) to perform its functions in preparing, evaluating and implementing industrial feasibility studies.

OUTPUT 1.1.

A comprehensive set of practical methodologies, guidelines and procedures specifically prepared to suit the conditions/requirements of MDY in the form of English and Arabic operational manuals:

- Guidelines for preparation of opportunity studies,
- Guidelines for preparation of pre-feasibility and feasibility studies,
- Guidelines for appraisal and evaluation of feasibility studies,
- Guidelines for subcontracting of feasibility studies,
- Manual for tendering for contracts and evaluation of tenders,
- Manual for contracting and the evaluation of contracts.

Activity 1.1.1.

Completed.

Activity 1.1.2.1.

In view of the reviewed existing methodologies and procedures develop a draft manual for preparation of opportunity studies together with criteria of project screening. The manual should be in full compliance with UNIDO methodology.
Test the draft version through utilization in training programme as well as development of the model opportunity study based on the draft manual.

**Target dates:**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Completion of draft version</th>
<th>Testing</th>
<th>Submission of final version</th>
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<td>15 March 1990</td>
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<td>30 April 1990</td>
<td>15 July 1990</td>
<td>30 August 1990</td>
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**Activity 1.1.2.2.**

Methodologies prepare a detailed step-by-step guidelines for the preparation of the pre-feasibility/feasibility study in full compliance with the UNIDO methodology. The guidelines should take into consideration the specific character of the PDRY socio-economic environment.

**Target Dates:**

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<th>Activity</th>
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<th>Testing</th>
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<td>15 July 1990</td>
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<td>30 April 1990</td>
<td>15 July 1990</td>
<td>30 August 1990</td>
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**Activity 1.1.2.3.**

A detailed set of guidelines enabling the evaluation of pre-feasibility/feasibility studies sub-contracted as well as prepared locally will be developed as the logical extension of activity 1.1.2.2. The same forms of testing as in activity 1.1.2.1. and 1.1.2.2. will apply.

**Target dates:**

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<tr>
<th>Activity</th>
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<th>Testing</th>
<th>Submission of final version</th>
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<td>1.1.2.3.</td>
<td>30 April 1990</td>
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Activities 1.1.2.4. - 1.1.2.6.

Review and assess the existing methodologies, standards and procedures used by the RSCD in the area of contracting as well as the pertinent legislation.

Prepare the detailed guidelines to assist RSCD optimal subcontracting of larger feasibility studies.

Prepare manuals for tendering and contracting procedures.

Target dates:

Completion of draft manuals : 30 April 1990
Testing: 30 May 1990
Submission of final versions : 30 June 1990

Responsible Project Staff

- Activities 1.1.2.1. - 1.1.2.3. : CTA together with Industrial Engineer.

- Activities 1.1.2.4. - 1.1.2.6. : Contracting Expert in coordination with CTA.

- Whenever applicable counterpart staff members shall participate in the activities for the purpose of on-the-job training.

OUTPUT 1.2.

A set of investment criteria for the selection and ranking of industrial projects in the form of an English and Arabic manual to be used by the Department and decision makers.
Activity 1.2.1.

Review and assess the existing format of recommendations and the criteria used by the diverse decision makers at various stages of the pre-investment process; review and assess the development strategy, plans and relevant legislation of PDRY; discuss and consult with senior officials at MITS, the Ministry of Planning and other relevant authorities.

**Target date:** 15 November 1989

Activity 1.2.2.

Select appropriate methodology and discuss the choice with decision makers concerned; collect and process data necessary for elaboration of numerical criteria.

**Target date:** 15 March 1990

Activity 1.2.3

Draft the manual.

**Target date:** 15 August 1990

Activity 1.2.4.

Test the criteria and submit final version.

**Target date:** 15 October 1990

**Responsible Project Staff:**

1.2.1. C.T.A.
1.2.2. C.T.A. + selected counterpart staff members.
1.2.3. C.T.A.
OUTPUT 1.3.

An information reference unit capable of collecting reference
documents and data for use by the entire Department manned
by one trained counterpart.

Activity 1.3.1.

Completed.

Activity 1.3.2.

Reorganize the available data, establish mechanisms,
methods and procedures for documents and data collection,
storage and processing and train one staff member for this
unit.

Target date: 30 September 1990

Responsible Project Staff:

Systems Analyst + CTA; Industrial Engineer will participate
whenever appropriate. Counterpart staff member will fully
cooperate from the beginning of activity 1.3.2.

IMMEDIATE OBJECTIVE 2.

Upgrade the technical and technological pre-investment
expertise of a minimum of thirteen national professional staff
of the RSCD.

OUTPUT 2.1.

A programme of a minimum of seven periodical training courses
for the national professional staff, organized and conducted
at MITS by the internationally recruited experts.
Activity 2.1.1.

Activity 2.1.2.
Preparation of syllabi, curricula and course material.

Target date:
- Curricula and course materials should be ready before the commencement of each course / see 2.1.3./.
The last course will commence in December 1990.

Responsible Project Staff: Course instructors under CTA's supervision.

Activity 2.1.3.
Conduct training seminars and courses at MITS.

2.1.3.1. Training course in Computer Applications.
Commencement date: 07 October 1989
Completion date: 16 November 1989
Responsible Project Staff: System Analyst, C.T.A.

2.1.3.2. Training course in COMFAR I.
Commencement date: 29 November 1989
Completion date: 19 December 1989
Responsible Project Staff: COMFAR Expert, C.T.A.

2.1.3.3. Training course in Feasibility Study Preparation, Evaluation and Financing.
Commencement date : 17 January 1990
Completion date : 22 March 1990
Responsible Project Staff : CTA together with Industrial Engineer and Financial Analyst.

2.1.3.4. Training Programme on Acquisition of Technology

Commencement date : 07. April 1990
Completion date : 03. May 1990
Responsible Project Staff : Contracting Expert in cooperation with Industrial Engineer and Head, RSCD.

2.1.3.5. Training Programme in Market Research.

Commencement date : 19 May 1990
Completion date : 28 June 1990
Responsible Project Staff : C.T.A.

2.1.3.6. Training Programme in Engineering Aspects of Pre-investment Studies.

Commencement date : 01 September 1990
Completion date : 11 October 1990
Responsible Project Staff : Industrial Engineer

2.1.3.7. Training Course in COMFAR II.

Commencement date : 03 November 1990
Completion date : 22 November 1990
Responsible Project Staff : COMFAR Expert, CTA.

OUTPUT 2.2.

A number of case studies prepared by national professional staff of RSCD under supervision of CTA and Industrial Engineer. The studies prepared in compliance with RSCD Workplan, will also serve as test runs for the outputs 1.1. and 1.2.

Activity 2.2.1.

Identify, in consultation with the appropriate institutions, a number of investment opportunities/project ideas/ to supplement the projects contained in the RSCD workplan.
Target date: Continuous activity, end: Dec.1990.

Responsible Project Staff: CTA, Industrial Engineer, National Director.

Activity 2.2.2.
Collect, process and analyse data necessary for the case studies; prepare case studies.

Target date: Continuous activity, end: 15 Feb.1991.

Responsible Project Staff: National counterpart staff under the supervision of CTA and Industrial Engineer.

Activity 2.2.3.
Evaluate the practical usefulness of the methodologies, guidelines and procedures and introduce improvements; review the level of skills and know-how of national professional staff and provide additional training.

Target date: 15 February 1991

Responsible Project Staff: CTA and Industrial Engineer.

OUTPUT 2.3.
A fellowship programme, to complement the training offered in PDRY, through which selected counterparts will be sent abroad for periods no longer than 2 man-months, to improve their know-how in their specialized fields.

Activity 2.3.1.

Activity 2.3.2.
Implement fellowship programme.

Target date: Continuous activity; end June 1991.

Responsible Project Staff: CTA and National Director.
OUTPUT 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.

Activity 2.4.1.

Workshop on Project Preparation and Evaluation.

Commencement date : 28 March 1990
Completion date : 01 April 1990
Responsible Project Staff: CTA in cooperation with Industrial Engineer and Financial Analyst.

Activity 2.4.2.

Conduct training seminars for staff of other institutions and ministries.

Target date: Depending on demand for training and availability of instructors.

Responsible Project Staff: Trained national counterparts under the supervision of CTA and Industrial Engineer.

OUTPUT 2.5.

Introduction of appropriate planning techniques to RSCD for the purpose of realistic planning of the Department's activities.

Activity 2.5.1.

Assemble information on activities to be performed by RSCD in the following year.

Target dates: 30 November 1989, 1990

Responsible Project Staff: National Counterpart staff + C.T.A.
Activity 2.5.2.

Assessment of required skills, workload, starting and closing dates for respective activities.

Target dates: 15 December 1989, 1990

Responsible Project Staff: National Counterpart staff under guidance of CTA.

Activity 2.5.2.

Timing and personnel coordination. Interactions with project’s training activities. Assigning tasks to individual staff members. Visual forms of plan presentation.

Target dates: 31 December 1989, 1990

Responsible Project Staff: National Counterpart Staff in coordination with CTA.

PROJECT MANAGEMENT

The Project will be managed by the CTA in cooperation with Industrial Engineer and National Counterpart.

OUTPUTS:

2. Technical Reports including updating Workplan.
3. Quarterly report of on-going activities to Deputy Minister, MITS.
5. Administrative Reports as required by UNDP and UNIDO.

Activities

The above outputs will be prepared according to rules and regulations governing the performance of CTA duties.
Dates:

Target dates for preparation and submission of the above outputs will be communicated to CTA by the appropriate organizations.

Responsible Project Staff:

CTA in cooperation with Industrial Engineer and, whenever appropriate, National Counterpart.
## SUMMARY TIME SCHEDULE FOR TRAINING ACTIVITIES/LOCAL

**REVISION II** 26.08.89

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ANNEX V.

Fellowships Awarded to Counterpart Staff.

   Fellow: Mr M. Dahwa.

   Fellow: Mr H.A. Aboodi.

   Fellow: Mr A. Ba-Hannan.

   Fellow: Mr I. Munir.

   Fellow: Mr B. Mubarak.

   Fellow: Mr A. Alawi.

   Fellow: Mr O. Orabi.

   Fellows: Ms: B. Ahmed, Mr: H. Aboodi.

   Fellow: Mr M.A.H. Yahia.

    Fellow: Mr A. Ba-Hannan.

    Fellow: Mr A. Bin-Ghouth.
ANNEX VI.

Study Tours.

   - Mr A. Bin-Ghouth,
   - Ms A. Sakarib,
   - Mr G. Al-Kaaki.

   Status: Completed.

   Fellows:
   - Mr A. Bin-Ghouth,
   - Mr A. Wahed,
   - Mr M. Saad.

   Status: Completed.

   Fellows:
   - Mr T. Shaker,
   - Mr O. Orabi.

   Status: Suspended at the government request.
ANNEX VII.
