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ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA
Industry Division

Report on Mission to UAE
(22 February 1987 - 6 March 1987)

Part II

Visits to various Organizations

on

Identification of Needs for Assistance to Existing Industries

WESTERN ASIA
E/ESCWA/ID/87/4
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LIBRARY + DOCUMENTS SECTION

by

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Industrial Project Identification, Formulation and Appraisal

The opinions expressed in this report are those of the author and do not necessarily reflect those of the United Nations Economic and Social Commission for Western Asia.

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1. Background: The visits to the selected organizations were undertaken upon the request from Acting Chief of Industry Division utilizing the opportunity of Ashwani K. Narula's Regional Advisory mission to provide technical assistance to Sharjah Chamber of Commerce and Industry^{1/}. The Adviser was requested to promote with concerned authorities in UAE, ESCWA newly formulated project on Assistance to Existing Industries. Notwithstanding the fact that this assistance is already being provided through various modes namely: regional advisory services of ESCWA, special industries services of UNIDO, under IPF projects of UNDP etc. The project aims at supplementing the assistance on selective basis to particular industry sector(s) with major multidisciplinary or chronic problems. Upon the request of the countries, the industries are to be selected by ESCWA and assistance provided in three stages namely: diagnostic stage, solutions stage and implementation stage. While for the first two stages, ESCWA will be responsible; the third stage will be the sole responsibility of the industry concerned - ESCWA only providing assistance in monitoring of implementation as shown in the project document formulated by the Industry Division entitled "Assistance to Existing Industries in the ESCWA region".

2. Mission Objectives: The mission objectives were set out as follows:

(a) To brief the concerned organizations on the newly formulated programme on assistance to existing industries;

(b) To make an assessment regarding the reception of project~~the project~~

(c) To note and discuss the industries and the problems for which the organizations are interested in assistance.

3. Summary of Results: All the organizations appreciated the desire on the part of UN to assist industry in UAE. They felt gratified for efforts through direct mission such as this one in order to explain the extent, modalities and benefits of the assistance. All the organizations were interested in receiving UNESCWA publications and to be included in the regular mailing list.

So far two organizations have shown outright interest and are requesting formally for assistance. Request from Emirate Industrial Bank has already been received. General Industry Corporation, Abu Dhabi, started

^{1/} Part I of Mission report.

drafting the request and this is expected to be received shortly. Request may not contain details of the industries and their problems. However, these were discussed during the mission^{1/} and are as under:

<u>Industry</u>	<u>Problem Area</u>
<u>Emirates Industrial Bank</u>	
Beverage	Substitute products, competition and packaging
Vegetable oil	Raw material procurement management.
Precision tools dies	General management and technological problems.
<u>General Industry Corporation</u>	
Cement, flour mills, animal feed, paper bags, concrete blocks	Preventive maintenance.
Cement plant	Materials management (spares and consumables).
<u>Follow-up Action</u> ^{1/}	<ol style="list-style-type: none">1) To decide on the requests.2) To make advance arrangements specially location of consultants and recruitment procedures.3) To despatch relevant ESCWA publications and to include the organizations on mailing list.

^{1/} See details in relevant annexes

List of Organizations Met

1. Sharjah Cement and Industrial Development Company
Mr. P.K. Batavia - General Manager
2. Dubai Chamber of Commerce and Industry
Mr. Abdul Rahman Al Mutaiwee - Director General
Mr. Abdul Aziz Khalil Al Mutawa - Director Industry
3. Abu Dhabi Chamber of Commerce and Industry
Mr. Juma Ahmad Al Salami, Dy. Dir. General
Mr. Mathews, Director Planning
4. Federation of Chamber of Commerce
Mr. Rashid Abdul Samad Al Kaitoob - Dir. General
Mr. Ahmed RA Reza, Adm. Dir.
5. Emirates Industrial Bank
Mr. Mohammad Abulbaki, Dir. Industrial Operations
6. General Industry Corporation
Mr. Moafak Arif Zaher - Director of Planning and Erection
Mr. Abdel Megied Genena, Economic Adviser

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Dubai Chamber of Commerce and Industry

Date visited: 1st March 1987

Persons met: Abdul Rahman G. Al Mutaiwee, Director General
Abdul Aziz, Khalil Al Mutawa, Director, Industries Dept.

Background: A normal chamber of commerce of industry, established by an Emiri Decree carrying out routine functions many of them on behalf of the government authorities, is quite active in documentation work, publishing promotional materials, receiving foreign delegations, providing local and foreign entrepreneurs with investment related information, coordinating the work of outgoing delegations, coordinating exhibitions of local and foreign products etc.

Discussions: From the discussions it appeared that even though the chamber
and
impressions: is known to be more efficient and having helping attitude than others and thus held in better respect, is still considered as an institution interested in collecting membership and other fees in exchange for specified documentation (certifications), mandatory or obligatory for business operation under various laws and practices in Dubai and elsewhere (in case of imports/ exports). The chamber is not considered by its members as their own institution established to protect and facilitate their business. This aspect was discussed in depth and suggestions were given to alleviate this impression through participation by members. The officials welcomed the change in the attitude of UN technical assistance authorities to disseminate information on possibilities of technical assistance so that all concerned in the region can benefit from the UN resources. They promised to study the documents and take any action required. However, due to weak direct contact with their members I do not expect a prompt action. Mr. Yakoob, Director Industries Section of Sharjah Chamber who accompanied me in the meeting, briefed Dubai Chamber officials on assistance rendered to Sharjah Chamber. The Director General requested

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that a set of ESCWA publications and other documents relevant to the work of Chamber who may be forwarded to them and Dubai Chamber be added on the mailing list.

The documents should be from following categories:

- Industry - all
- Statistics - selected
- DPD - pertaining to trade and finance programmes
- Transport - with investment orientation

Follow-up action:

To add the Chamber on the mailing list and send the existing publications and documents (action: Conference Services in consultation with respective divisions).

Communication information:

P.O. Box 1457, Dubai - UAE
TLX : 45997 EM
TLFX : 211646
TF : 237533, 221327, 224651

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Abu Dhabi Chamber of Commerce

Date visited: 4th March 1987

Persons met : (1) Mr. Juma Ahmed Al Salami, Dy. Director
(2) Mr. Mathews, Director Planning

Background: Similar to Dubai Chamber

Discussions and Impressions: These are similar to Dubai Chamber. Abu Dhabi Chamber, however requested me to call on General Industry Corporation to whom the project document was handed over and fixed the appointment. The Chamber officials' request was similar to Dubai Chamber. It was contended that at present, the subject of technical assistance to existing industry was more relevant to GIC and of regional advisory services the Chamber.

Follow up action: Similar to Dubai Chamber .

communications information

P.O. Box 662, Abu Dhabi - UAE

TLX 22449 EM

TF 214000, 338930

Location: Chamber House Corniche

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Federation of Chambers of Commerce

Date visited: 4th March 1987

Persons met : Mr. Rashid Abdul samad Al Kaitoob, Director General
Mr. Ahmad R.A. Raza, Administrative Director

Organization : Normal activities of a federation of chambers of commerce
Objectives the major being coordination of activities of Emirates level Chambers and act as a link between federal ministries and the industry and trade through emirate level chambers. No formal literature on activities of the chamber was made available.

Discussions : ESCWA programme on assistance to existing industries was introduced in details. The Chamber has two offices - one in Abu Dhabi and the other in Dubai, and it appears that the document forwarded by UNDP was misplaced between the two offices. The project, therefore, had to be explained in full stressing that the assistance shall be rendered irrespective of whether the industry belongs to private or public sector. Mr. Kaitoob promised to consult other Chambers. I then raised the issue of problems in cement industry in UAE. The information which was given earlier to me by Mr. Batavia General Manager, Sharjah Cement, was confirmed. In this regard, it is true that the problem relates to marketing but it is the lack of market compatible with the existing capacities in UAE which is the bottleneck. The total annual capacity of cement (clinker) production is 4.5 million tonnes, with clinker grinding capacity at 10.0 million tonnes. The total annual market for cement is 1.5 million tonnes only. Over and above this, there are also some direct imports from Europe. As a result of this gap the price of cement per 50kg bag has fallen from 21 DH to 4.5.

Vigorous efforts have been made in the past by the managements of the plants to stabilize the prices. The agreement reached lately fixed the price at 7.00 DH/bag. However no plant

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is following this price and the cement is still being sold at 4.5 Dh or even below. It is understood that Kuwait is buying cement from Iraq and other countries at a very low price and Saudi Arabia which has slightly lower capacity than demand (temporarily) is meeting the requirements through imports from European countries. Under these conditions of global glut, I wonder if any outsider like ESCWA can help in solving the problem, only the industry has to discipline itself till the demand for cement rises.

Follow-up

Action

: Mr. Al Kaitoob showed keen interest in other activities of ESCWA relevant to the work of the Federation. All the relevant documents and publications should therefore be sent to the Federation even to attract it as a non-government organization to participate in the work of ESCWA in consultative capacity.

Communication

information

: P.O. Box 3014 Abu Dhabi UAE

TLX 23883 GHURAF EM

TF 333144, 45

Location: Hamadan Centre, Hamadan Street.

Emirates Industrial Bank

Date visited: 4th March 1987

Person(s) met: Mohamed Abulbaki, Director Industrial Operations Dept.

A. Background Information:

Date established : 1982

Shareholding : Ministry of Finance - 51% and rest by commercial banks and insurance companies.

Objectives of Establishments

- : -To promote industrialization in UAE with the long range goal of diversifying the national income and creating a strong industrial sector;
- To finance the growth of existing industry by providing equity, working capital, medium and long term loans on preferred terms;
- To research and identify the potential for creating new projects and building new industries;
- To participate in capital markets in UAE.

Lending Policy:

Bank lends to technology intensive and capital intensive industries with local ownership not less than 70% according following priorities:

- Industries that depend on local resources (e.g. capital, energy etc.) and market their production in UAE;
- Industries that depend on local resources and market their production locally and abroad;
- Industries that depend upon foreign resources and market their production locally and abroad.

B. Discussions and Impressions: I introduced ESCWA programme on assistance to existing industries and also other modalities of technical assistance through ESCWA and UN in general. Mr. Abulbaki highly appreciated the desire on the part of UN to assist the industry and the initiative to contact the potential beneficiaries in a direct manner because

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many times, the information on most of the channels for assistance is not available to the bank. He also appreciated UNDP initiative to forward the project document in advance and informed me that an affirmative reply seeking assistance had been sent to UNDP.

However, the details of the industries and their problems for which assistance was being sought was not mentioned in the communication. Once ESCWA agrees to provide assistance, the background material including studies conducted in the past will be handed over to the mission.

Discussions then centered around the industries and their problems for which assistance was being sought.

Beverages industry

- : (a) Food habit of consumers is changing from aerated drinks to non-aerated drinks; (b) preference of consumers is also changing in favour of bottled drinks as against canned drinks; and (c) existing design of cans (3 pc. tinned plate) is more expensive than the new (2 pc. main body drawn aluminium and lid of tinned steel sheet).

I would conclude that assistance would be in the form of market research to identify new low calorie products, to evaluate the feasibility of introducing new packaging methods and identification of changes in plant and equipment.

Vegetable Oil: Industry

The problem lies mainly in method of procurement of raw and refined edible oils. The suppliers insist on bulk purchases resulting in high inventory carrying costs and thus lowering competitive position of locally refined and packed products against imported products. Again brand preference has led to severe foreign competition.

From these short discussions, I feel that assistance will be in identifying new sources of supply of raw materials, in devising different forms of purchase contracts (e.g. running and rate contracts) and in devising methods of market research to fix inventory/purchase levels and in formulating 'Agmark' legislation.

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Precision Tools:
and Dies

The problems are managerial and technical:

The managerial problems include unclear and unjustifiable mixing of responsibility and lack of specialization. For example, the General Manager of the company is looking after marketing directly. The technical problems include lack of skills in design and production of dies to customer's needs as also faults in heat treatment furnaces resulting in poor customer satisfaction and high costs.

It seems that assistance will be concentrated in revision of organization structure, suggesting modifications in heat treatment furnaces (changing temperature controllers or parts thereof to reduce time lags), identification of sources for supply of skills (possibly technical collaborators) and training.

Mr. Abulbaki desired that a set of all publications of ESCWA relevant to an industrial bank be sent to Emirates Industrial Bank. In return the Bank will add ESCWA on their mailing list. He already handed over some useful documentations to Industry Division.

Follow-up action :

- (1) to decide on the request and act. (Action: Acting Chief Industry Division).
- (2) to send a set of documents and publications relevant to Industrial Bank. (Action: Conference Services in consultation with Industry Division).
- (3) To send a booklet on regional advisory services. (Action: TCU - I have already requested UNDP Abu Dhabi to send last years booklet).

Communication
Information :

P.O. Box 2722 - Abu Dhabi UAE
TLX 23324 INDBNK EM
TF 339700 Abu Dhabi
Location: Golden Tower Corniche

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General Industry Corporation

Date visited : 5th March 1987

Person(s) met : (1) Dr. Moafak Arif Zaher, Director, Planning and Execution.
(2) Dr. Abdel Magied Ginena, Economic Adviser.

Background Information

Date established: 1979 under Emiri Decree 5

Objectives of Establishment: For Abu Dhabi Emirate

- (1) Propose an industrial policy and supervise its implementation after its approval.
- (2) Prepare an industrial plan for the Emirate of Abu Dhabi in line with the Economic and Social Development Plans and co-ordinate such plans with the authorities concerned.
- (3) Study, execute and manage government factories and market their products on commercial basis.
- (4) Support and encourage the private industrial sector.
- (5) Associate with others in the execution and management of factories.
- (6) Prepare and develop local cadres for the field of industry to keep in pace with the prevailing development progress.

Shareholding: Purely public sector.

Discussions and Impressions

The call on this organization was made at the request of Abu Dhabi Chamber of Commerce who also fixed the appointments. General Industry Corporation were already in possession of ESCWA project document on assistance to existing industries and had already given preliminary thought to it. My visit was considered essential to clarify the modalities and extent to which the assistance is to be rendered. On my part, it was useful to have advance information on the sectors and problems for which the assistance is needed. This is as follows:

(a) Preventive maintenance systems in five factories have to be reviewed, redesigned and established:

- Cement Plant
- Flour Mill
- Animal Feed Plant
- Concrete Block Plant
- Paper Bag Plant (Primarily for Cement Plant).

Information on these plants is available in the documentation provided by GIC. The plants have been working for 5-12 years and the present systems allow for maintenance and repair when troubles are experienced.

The systems do not include regular inspection, change of fast wearing parts and scientific lubrication and cleaning at fixed intervals. Also maintenance records are not kept properly so as to allow for forecasting shutdowns and spare parts needs.

(b) Materials management of spare parts and consumables in Al Ain Cement Plant. This includes assistance in procurement management and inventory control. The stocks of spares and consumables are high. Many of the expensive spares acquired at the advice of collaborators years back have not been used. For many others GIC desires to develop alternative sources of supply. When the other identified sources are requested to quote, they decline because of their links with the collaborator who likes the parts to be supplied through him. This has resulted in high inventory costs.

The GIC shall shortly send the request to UNDP.

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The GIC desired detailed information on regional advisory service as well as literature pertinent to their operations (e.g. project profiles on identified projects).

Follow-up Action

(1) To decide on and to prepare for the request so that necessary missions can be mounted in time. This would include locating two consultants, one on maintenance systems and the other on spare parts management in cement industry. (Action - Industry Division).

(2) To send regional advisory service information to GIC - UNDP Abu Dhabi has already been requested to send a copy of last year's bulletin to GIC. (Action TCU).

(3) To send documents on identified projects (Action Industry Division).

Communication Information:

P.O. Box 4499 Abu Dhabi UAE

TF 22938 GICORP EM

TF 326900, 343901

Location: Chamber tower Cornische