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REPORT OF THE EXECUTIVE SECRETARY
ON THE ACTIVITIES OF THE COMMISSION

PROGRESS MADE IN THE IMPLEMENTATION OF THE
PROGRAMME OF WORK FOR THE PERIOD 1988-1989

Report on

assistance to existing industries
in countries of the ESCWA region



1. Over the last two decades, the ESCWA region has seen growing interest on the part of member Governments in adopting policies which aim at accelerating industrial development. These policies have been reflected in the size, structure and type of investment allocated to the industrial sector. At the beginning of the 1970s, investments were directed to light industry and consumer goods; since then they have moved to medium-sized and heavy industry, especially iron, steel, petrochemicals, construction materials and capital goods. As a result of the expansion of industrialization projects and policies of accelerated industrialization, a number of problems and obstacles became apparent during the implementation of these industrial projects, as often happens in developing countries. These problems can be attributed to a number of reasons, such as insufficient preparation for the projects, inappropriate choices of technology and equipment, shortage of properly qualified technical staff and poor management or organization, not to mention low quality of products and marketing difficulties.

2. The study of industrial problems and the search for the best solutions to these problems is one of the main priorities both of Governments of the region and of Arab and international organizations active in the region. This interest became clear in the Sixth Conference of Arab Ministers of Industry in 1984, the thirteenth session of ESCWA in 1986, the Third Conference of Arab Investors in 1986 and other conferences. All these meetings confirmed the necessity of supporting existing industries and of solving their problems; it was agreed that this activity should be given higher priority than the determination of new industrial projects.

3. In keeping with the requirements of industrial development in the region, with the desires of officials and with regional priorities, the Joint ESCWA/UNIDO Industry Division introduced a new activity in 1987, which aimed at diagnosing the main problems and obstacles faced by existing industries and offering the necessary technical aid to revitalize these industries and to broaden their base. The ESCWA project includes the following elements:

(a) The project is limited to offering technical advice, and does not include financing the purchase of equipment or raw materials, etc.

(b) It stipulates that industrial projects for which aid is requested should have been operational for a sufficient period of time and that they should have reached a mature stage in their development. In this way, the ESCWA programme excludes problems that may be expected in the initial stages of an industrial project.

(c) Preference is given to major industrial projects, in view of the scarcity of financial resources available.

(d) The ESCWA programme includes projects of the public, private and mixed sectors, on condition that the request for aid should come from the public authorities in the country in question.

(e) The ESCWA programme is implemented in a number of stages. The first stage consists of a field mission by ESCWA staff members to the factories concerned in order to determine existing problems exactly and to consult with officials to fix the order of priorities. The second stage is that of

proposing a solution; this is done either by ESCWA staff members or by experts from outside ESCWA. In this stage solutions are proposed to eliminate the problems. The third stage is that of implementing the solution; in most cases, it is expected that experts from outside ESCWA will visit the factories concerned and implement the solutions proposed in the previous stage. Similarly, ESCWA will follow up the implementation to ensure that the right steps are taken by the experts.

(e) ESCWA assumes all the expenses of the first stage and the travel and accommodation expenses of its staff members in the second stage. ESCWA also assumes the expenses of some of the experts (fees, travel and accommodation) in the second stage, within available financial resources, but it does not assume any expenses in the third stage, since this stage is expected to be longer than the first two stages and to incur greater costs. Nor will ESCWA assume the expenses of its experts in following up the progress achieved in this stage. In order to lighten the burden of financing the mission of outside experts on countries that would profit from this programme, ESCWA has endeavoured to obtain financing from outside sources; it has succeeded in concluding an agreement with the Islamic Development Bank, by which the Bank will finance the missions of some outside experts in the second and third stages, on a selective basis.

4. The Syrian Government presented a request to ESCWA to aid some of its existing industries. That request included a number of different industrial sectors: engineering, textiles, chemicals, foodstuffs, cement and building materials. Experts from ESCWA undertook a two-week field mission in June 1988 (the first stage of the ESCWA programme), during which they visited the Ministry of Industry and the enterprises concerned. On the basis of discussions with officials from the Ministry of Industry and the enterprises, 11 companies from all sectors were picked to be the subject of study by the experts during their mission. They visited the factories concerned and gained first-hand knowledge of existing problems, which were discussed with the factory managers and senior technicians. At the close of the mission, the experts met with officials from the Ministry of Industry and together they agreed on 10 high-priority problems on which efforts should be concentrated. These problems are connected with the production of cables, the processing of local wool, the improvement of the quality of local wool, the production of triple superphosphate, the production of pottery and glass relying wholly on local raw materials, the reduction of waste in the production of asbestos pipes, the treatment of water used in food processing factories, the reduction of waste during sugar extraction, the study of heat distribution in sugar refineries and the improvement of maintenance in textile and chemical factories.

On the basis of the foregoing, the ESCWA experts defined the work to be accomplished in the second stage of the ESCWA programme, or the stage of proposing solutions, as well as the profiles of the experts required and the expected duration and cost of their work. The report prepared by the experts on their official mission to the Syrian Arab Republic, (E/ESCWA/ID/88/4) of 13 July 1988 (in Arabic only) contains details of their mission, conclusions and recommendations concerning the work to be accomplished in the next stage. The experts also sent the report to the Islamic Development Bank, in accordance with the agreement with the Bank, in order to obtain financing for the second stage of those projects which it may deem appropriate.

5. Similarly, the Egyptian Government presented an analogous request concerning four companies in the chemical and engineering sectors. Accordingly, ESCWA organized an official mission of one week to Egypt in July 1988. Visits were made to the General Organization for Industrialization, the El Nasr Company for Coke and Chemicals (Chemicoke), Egyptian Mechanical Precision Industries (SABI), the El Nasr Engineering and Refrigeration Company (Koldair) and the El Nasr Boilers and Pressure Vessels Manufacturing Company. On the basis of discussions with officials from the factories and the General Organization for Industrialization, three high-priority problems were defined: the production of copper, bronze and iron powder, the production of grinding wheels and the production of all types of files. The experts from ESCWA then defined the work to be accomplished in the second stage; this was set out in the report of the official mission (E/ESCWA/ID/88/5) of 26 July 1988 (in Arabic only). As in the case of the Syrian Arab Republic, the report was sent to the competent authorities in Egypt and to officials of the Islamic Development Bank, in order to obtain partial financing for the next stage.

6. Similarly, the Government of Oman presented a request to ESCWA in November 1987 for aid in revitalizing existing industries in the Sultanate. An expert from ESCWA undertook a field mission to Oman in January 1988 and visited 6 out of the 10 factories for which the Government of Oman had presented the request. Production of the factories visited includes metal structures, bricks, insecticides, corrugated cardboard and paper tissues. It became apparent that existing problems included the marketing of local products, the preparation of industrial projects, negotiating with exporters of technology and importers of equipment and the flow of materials within the factory. Some of these problems could be treated in the framework of the ESCWA programme for technical assistance (by means of regional consultants), while others come under the ESCWA programme of assistance to existing industries.

Following this visit, an expert from ESCWA went on a second official mission to the Sultanate for two weeks in October 1988. The expert focused on three factories producing car batteries, heaters and boats. It became apparent that the problems of these factories were due to the following causes:

(a) Unfavourable agreements with the foreign technical partner, resulting in a choice of backward technology and inefficient equipment (the battery factory);

(b) Poor marketing of local products, in view of the fact that they were of better quality than their imported equivalents (the heater factory);

(c) Small market size, in view of the fact that the Government had offered the factory financial support (the boat factory).

On the basis of the foregoing and in accordance with the requirements and priorities defined by Omani officials, preparations have started on two training courses in 1989. The first course will focus on training local staff in basic industrial skills such as financial analysis, functional analysis and technical management; Omani experience of industrialization is limited and goes back no more than a decade. The second course will focus on training middle and upper-level managerial staff in negotiating and concluding contracts and purchasing equipment and accessories.

7. Estimated costs of the work recommended by experts from ESCWA for 1989 are as follows: these figures do not include the contribution of ESCWA, whether it be in the form of experts or direct financial contributions.

	<u>US dollars</u>
Syrian Arab Republic	78,000
Egypt	22,000
Oman	<u>25,000</u>
Total	125,000

8. Results and recommendations

(a) The importance of the ESCWA programme of assistance to existing industries has been confirmed by the requests for assistance and the official missions undertaken by its experts to the United Arab Emirates, the Syrian Arab Republic, Egypt and Oman. ESCWA has also received a request from the Kingdom of Saudi Arabia; it is hoped that this request may be dealt with in the early part of next year. It is expected that Jordan will present a similar request.

(b) The solution of the problems of existing industries necessitates a large measure of wide-ranging, high-level experience. Only a limited part of this expertise is available at ESCWA; for this reason ESCWA needs to avail itself of outside experts. Identifying such experts and negotiating terms with them is a time-consuming process which has financial implications beyond the available resources of ESCWA. As already mentioned, the agreement between ESCWA and the Islamic Development Bank constitutes an important, if yet insufficient, step in this direction.

(c) In order to provide the money necessary for the implementation of the programme of assistance to existing industries and to solve the problems of these industries, and in order to shorten the time spent on routine operations at the various stages of the programme, a special fund for this ESCWA programme should be set up, to be financed by the countries of the region, Arab funds and financial institutions, etc., on a voluntary basis. There is no doubt that the delay of the experts in taking the recommended steps, and consequently the delay in treating the problems defined, is likely to have a negative impact on officials of the factories concerned, since some of these problems require immediate action.