

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D.C. 20523

PROJECT PAPER
AMENDMENT NO. 1

NEPAL
ECONOMIC LIBERALIZATION PROJECT
367-0161

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A A = Add
 C = Change
 D = Delete

Amendment Number
1

DOCUMENT CODE
3

COUNTRY/ENTITY

NEPAL

3. PROJECT NUMBER

367-0161

4. BUREAU/OFFICE

USAID/Nepal

5. PROJECT TITLE (maximum 40 characters)

Economic Liberalization

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
01 9 30 91 8

7. ESTIMATED DATE OF OBLIGATION
(Under "B:" below, enter 1, 2, 3, or 4)

A. Initial FY 91 B. Quarter 4 C. Final FY 91

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY 91			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	1,700	550	2,250	8,206	3,794	12,000
(Grant)	(1,700)	(550)	(2,250)	(8,206)	(3,794)	(12,000)
(Loan)	()	()	()	()	()	()
Other U.S.						
1.						
2.						
Host Country						
Other Donor(s)						
TOTALS	1,700	550	2,250	8,206	3,794	12,000

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) FN				1,000					
(2) SD				2,000					
(3) EH				2,000					
(4)									
TOTALS				5,000		7,000			12,000

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To help the Government of Nepal formulate and implement policies that support a pro-market, private sector-led economy; to assist private organizations and firms in using available economic opportunities.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)

To add resources to continue and expand efforts by the Government of Nepal and the private sector to implement the country's economic liberalization program, and bring activities already begun to fruition.

17. APPROVED BY

Signature

David Oot

Title David Oot
Acting Director
USAID/Nepal

Date Signed

MM DD YY
10 12 91

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO NEPAL

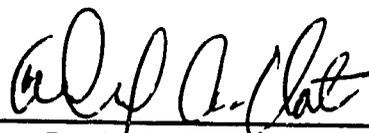
PROJECT AUTHORIZATION AMENDMENT NO. 1

Name of Country : **Nepal**
Name of Project : **Economic Liberalization**
Number of Project : **367-0161**

- 1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, the Economic Liberalization Project (the "Project") for Nepal was authorized by the USAID/Nepal Mission Director on August 8, 1991, involving planned obligations not to exceed Five Million U.S. Dollars (\$5,000,000) in grant funds over a five year period from the date of authorization, with a planned life of project of five years from the date of initial obligation (September 27, 1991). That authorization is hereby amended as follows:**
 - a. The life-of-project funding is increased by \$7,000,000, from \$5,000,000 to \$12,000,000.**
 - b. The authorized life of project is extended by two years and four days to September 30, 1998.**

2. All other terms and conditions of the original Project Authorization, dated August 8, 1991, shall remain in full force and effect.

By:



David A. Oot
Acting Director
USAID/Nepal

Date:

6/24/93

Clearances:

PPD:RByess

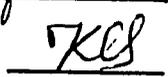
PPD/ECON:NCohen

FM:KCSHrestha

RLA:ANewton



for Shubha







PPD:TRTuladhar:trt
6/22/93

USAID/Nepal
Economic Liberalization Project (367-0161)
Project Paper
Amendment No. 1
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Amended Authorization
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GLOSSARY

AA	Assistant Administrator, Asia
ADB/N	Agriculture Development Bank of Nepal
ADB	Asian Development Bank
CDSS	Country Development Strategy Statement
CBPASS	Commercial Bank Problem Analysis and Strategy Study
ELP	Economic Liberalization Project
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
FM	Financial Management (USAID)
FSN	Foreign Service National
GON	Government of Nepal
GDP	Gross Domestic Product
GOI	Government of India
GTZ	German Technology Cooperation
GAO	General Accounting Office
IRIS	Institutional Reform and the Informal Sector
IESC	International Executive Service Corps
ILO	International Labor Organization
IEE	Initial Environmental Examination
IQC	Indefinite Quantity Contract
IMF	International Monetary Fund
NCC	Nepal Chamber of Commerce
NTUC	Nepal Trade Union Congress
NPC	National Planning Commission
NRB	Nepal Rastra Bank (Central Bank)
NGO	Non-Governmental Organization
MOF	Ministry of Finance
MOI	Ministry of Industry
MOC	Ministry of Commerce
OYB	Operational Year Budget
PID	Project Identification Document
PE	Public Enterprise (State-owned firm)
PPD	Program and Project Development (USAID)
PVO	Private Voluntary Organization
SEC	Security Exchange Centre
SBPP	Small Business Promotion Project (GTZ)
TA	Technical Assistance
USAID	United States Agency for International Development
UNDP	United Nations Development Program
WB	World Bank

USAID/Nepal
Economic Liberalization Project (367-0161)
Project Paper
Amendment No. 1

I. EXECUTIVE SUMMARY

A. Introduction and Background

This Amendment No. 1 to the Project Paper for USAID/Nepal's Economic Liberalization Project will continue and expand AID's support to the Government of Nepal and private sector, to pursue the country's economic liberalization program and consolidate progress to date. The amendment is designed to strengthen ongoing project activities, introduce new activities within the original design, increase LOP funding to \$12.0 million from by \$5.0 million, and extend the life of the project by two years, from 1996 to 1998. The basic project design will remain unchanged, as will the method of implementation and the institutions through which the project will work.

The ELP project began in August 1991. It has brought significant benefits to Nepal's liberalization program in a short time, most notably in the areas of privatization of public enterprises, technical and policy assistance to the GON in restructuring the tax system, simplification of procedures for private investment, helping to modify existing economic laws to conform to the liberalized environment, and improvements in the banking and financial sectors.

B. Project Components

Project activities are divided into two broad categories, addressing policy reform and private sector strengthening. Policy activities will continue support for three medium-term objectives, designed to

- privatize state enterprises;
- develop a tax system that is efficient, transparent, and supportive of private sector development; and
- further liberalize financial markets and revise those economic laws that are not in conformity with the new liberalized economy.

Support for the private sector is designed to

- support a management development academy in an established institution to engage in continuing education business programs;
- develop a business literacy program, to train small businessmen in the technical rudiments of private sector management such as accounting, recordkeeping and marketing ;
- strengthen chambers of commerce and trade associations;
- assist enterprises harmed by economic liberalization, through training and studies;
- strengthen in-country MBA programs through provision of Fulbright-Hays visiting professors of business; and
- expand the Free Market Development Advisors Program (FMDAP).

The system of project implementation has been modified slightly since the project began. This project paper amendment clarifies the roles and responsibilities of each of the three project committees and provides for streamlined project implementation procedures in keeping with standard AID project management practices.

This project paper amendment also explicitly incorporates other organizations into the project process. These include the chambers of commerce and industry, including the Federation of Nepali Chambers of Commerce and Industry (FNCCI), the Nepal-American Chamber (NAC), the International Chamber (ICC), and trade associations like the Hotel Association of Nepal (HAN) and the Central Carpet Industries Association (CCIA).

C. Cost Estimates

The total estimated cost of the activities to be funded under the amendment is \$7.0 million dollars. Below is an illustrative budget by line item for the proposed amendment. Detailed estimates for each project subcomponent are given in the financial analysis, following the detailed activity descriptions.

Table 1
Summary Illustrative Budget
(In thousands of Dollars)

Item	Original Project	This Amendment	Total to Date
Technical Assistance	1,360,000	2,500,000	3,860,000
Local TA Support	414,816	400,000	814,816
Analyses and Studies	686,000	1,200,000	1,886,000
Training programs (overseas and local)	1,678,000	2,000,000	3,678,000
Commodities	263,000	500,000	763,000
Mission Administrative Support	183,184	0	183,184
Evaluation	100,000	0	100,000
Audit	82,000	0	82,000
Inflation and Contingency	233,000	400,000	633,000
TOTAL	5,000,000	7,000,000	12,000,000

The first phase of the project has been fully funded at \$5.0 million as of the middle of Fiscal 1993. The Mission proposes to fund the first tranche of the second phase at \$2.1 million in FY 1993 and \$1.0 million in FY 1994. A summary of obligations and expenditures to date is given in the Financial Analysis.

The original project authorization provided for a waiver of AID's standard 25% host country contribution to the project. However, the first two years of project implementation have demonstrated that the waiver is not needed, inasmuch as the GON has contributed significant resources to the privatization program in particular, greatly in excess of the minimum AID requirement. This contribution will be clearly documented over the course of 1993 and 1994.

One other item that has changed since the original project was authorized was the passage of new legislation concerning \$599 of the FY 1993 Foreign Assistance Authorization Bill. The relationship of the new legislation to this project is discussed in the Annexes.

II. BACKGROUND AND RATIONALE

The Mission has developed this amendment to the ELP for two reasons: to reflect the importance of liberalization and privatization activities within the Mission portfolio, and to acknowledge the impressive progress made by Nepal's government and private sector toward a market economy.

The evolution of Nepal's economy is evident in the changed business environment and the altered host country policy situation.

A. Nepali business environment

The climate for reform in Nepal has greatly improved since the project was first authorized in 1991. During project design both Government and business representatives expressed doubts about the need for liberalization. While many agreed that it was necessary to remove protectionism, price-wage-interest controls, eliminate excessive registration and licensing paperwork, improve business efficiency and seek export markets, it was apparent that many believed change was not likely to come to Nepal any time soon.

The GON and the business community understood the environment as it existed, and many benefitted from its anomalies. The long-term benefits of liberalization existed for Nepal, but it appeared unlikely that any major changes would occur soon. So long as India did not change, few in Nepal saw that Nepal ought to change. They noted that Nepal would be able to continue to benefit from the anti-market practices in India. This included deflection of third country goods, exporting Indian commodities without using Indian state export companies, and attracting Indian businesses that wanted to avoid India's license Raj.

But with the collapse of international Communism, the change of Nepal's government, and India's increased emphasis on private sector-led development, Nepalis found they too had to move toward a liberal economy. These changes had been seen as necessary by many leading Nepali thinkers, government officials and business people, but the force of change elsewhere had the catalytic effect of convincing others of the need for change in Nepal. The first steps at privatization have allowed investors to enter the economic arena and inject new resources into the country's economy.

B. Host country policy developments

As it became clear that establishment of the democratic process was incontrovertible, the newly elected government began to take a leading and exceptionally proactive role in liberalizing the economy. Lawmakers issued regulations reflecting the linkages between changing registration requirements and changing company law; liberalizing the foreign exchange regime, changing tariffs and taxes, and allowing for the creation of new financial institutions.

As the government began to emphasize the need for change, the importance of many project activities grew. With small successes (for example, in liberalizing domestic air travel, simplifying the registration and licensing processes, training people in privatization and studies of the need for tax reform), AID received more requests for assistance to make additional changes. The result is that USAID now plays a lead role in helping government to liberalize the economy, working collaboratively with other donors to develop appropriate policies and then implement them. The ELP emphasizes making policy changes, then assuring they are implemented as designed and finally helping business adjust to the new environment.

In the past year, the GON has adopted many liberal economic policies toward the private sector. Government monopolies in airlines and import of goods like coal and fertilizers have been lifted. Planners are looking into the possibility of privatization of aspects of public utilities including telecommunications and electricity.

The Government has recognized that inefficient public enterprises absorb an increasing amount of Government funds and this cannot continue. The Ministry of Finance wants to adopt different modalities, such as direct sale, disinvestment, employee stock ownership plans, public share issue, management contracts and liquidation to de-control public enterprises. The Government plans to privatize 14 enterprises in one year, and has already started preparing some enterprises for privatization.

In addition to progress in the areas of privatization, the GCN has undertaken vigorous efforts in financial sector reform, and more recently in tax reform. ELP's contribution to this evolution is described below.

C. Project accomplishments to Date

ELP's mandate is to help the Government of Nepal formulate and implement policies that support a pro-market, private sector-led economy, and to assist private organizations and firms in adjusting to the new environment. In its short life to date, the project has achieved success in enabling new financial institutions like finance companies, leasing companies, merchant banks, private security brokers, and new private commercial banks to be established and then providing help in beginning operations; coordinating all current privatization activities; tax reform; opening domestic air travel to private competition; revising the legal code as it affects business; developing a one-window; vastly simplified registration and licensing system; assisting government in moving to a fully convertible currency; and developing a democratic constitution and democratic processes for local trade unions. ELP provides resources to help Nepali decisionmakers consider the benefits of liberalized economic changes. Specific accomplishments include:

- A pre-project activity in which IRIS worked with the Nepali business community, identified the problems of licensing, registration and permits as a major obstacle to business development. Thus, one of the first activities was to provide a person to work with the Department of Industry to simplify these procedures. They have been simplified much more than expected.
- Continued emphasis on the need to change the legal environment with work on modifying company law. IRIS is now working on contract law and consumer protection legislation. The changes have been discussed with government and business lawyers and are in the process of being implemented.
- Assistance to the GON to develop a value-added tax and to review Nepal's tax structure so as to assist them in laying out changes that can be implemented in the 1993 budget speech of the Minister of Finance, and other changes that can be implemented in 1994 or beyond.
- Advisory assistance to the GON to review current price controls, subsidies and marketing arrangement on fertilizers and POL products. The result was reductions in the amount of subsidy on both and opening import and distribution of fertilizers further to private sector competition. The study of airline deregulation also included a movement toward a zone of reasonableness in lieu of price controls. This has been accepted by the GON.
- Provision of an expert to work with the Department of Civil Aviation on liberalizing domestic air traffic, including permitting private airlines, their rate structure and the new role of the Department in a liberalized environment. Most of the recommendations have been implemented, and more will be implemented when and if the Department changes to an "Authority" this summer.
- Assistance to the Nepal Rastra Bank to liberalize laws permitting finance and leasing companies. These changes were approved by Parliament and ELP provided help to the Rastra Bank in prudently regulating these firms, and AID has helped the firms to improve their operations.

- Resources for training and limited assistance to the privatization of the first Nepali state enterprises. USAID is now the lead donor for the privatization of 14 additional state enterprises this calendar year.
- A major activity to provide analysis to the GON on the implications of moving to partial and then to full convertibility of the Nepali rupee on the trade account. These studies noted the enormous benefits in terms of simplified procedures and strengthening of Nepali exports. the GON accepted the recommendations and Nepal now has a convertible currency on the trade account.
- AID-funded advisors who assisted the major commercial banks to make the adjustment to partial and full convertibility. This activity also strengthened the bank's money market operations. These changes aided the Rastra Bank in opening up the Nepali market to new private commercial banks.
- Services of a CAER expert to work with the Nepali Securities Exchange Centre and help it develop procedures to separate the regulatory and the brokerage function. This was necessary to develop a stock market capable of playing a major role in privatization, and also to provide alternative ways to mobilize capital for private sector development.

ELP resources have also furthered the policy dialogue process in other ways:

- The labor movement was helped through assistance provided through the Project to the Asian-American Free Labor Institute. They strengthened trade union internal operations and helped the Nepali union develop a democratic union constitution through democratic procedures.
- AID has assisted business in developing an agenda to bring before the Indian and Nepali Prime Ministers items that need changing in the bilateral economic relationship. This has helped lead to simplified export procedures for Nepali goods to India.
- The project funded a continuing education program in business. Some small training activities have already taken place; a major expansion will begin within the next few months, and continue to use the funding provided through the project.
- AID has worked with carpet producers to explore ways to expand their exports, especially to the US. This may be expanded to include housewares. As a result Nepali carpet producers are convinced of the need to eliminate child labor as USAID is unable to assist any enterprise that "does not support internationally recognized worker rights".
- AID provided resources to place three Free Market Development Advisors with Nepali enterprises, and has also provided four IESC Volunteer Executives with another six planned for the coming months.

D. Relationship of ELP to USAID strategy

Since the original PP was completed, AID has undertaken a comprehensive review of the Nepal country strategy. Under the new, streamlined strategy, the ELP program plays an even more critical role as the US Mission's key activity in support of business development. The goal of the revised USAID/Nepal program is to promote sustainable economic growth. The first pillar of the Mission's strategy is to increase the contribution of the private sector to income growth.

Activities in agriculture and rural development reflect this goal, as do the activities of the Economics and Private Sector Division which manages the ELP project. Working through the GON and the nonprofit and for-profit sectors, the AID program has as a unifying principle the promotion of private energies for problem solving and economic development. That this is possible is

primarily a function of the post-election political situation and the Government's newfound interest in substantial and lasting market-based economic reforms.

Responding to the evolution in thinking, AID has taken the lead among donors in promoting private enterprise development in both the urban and rural sectors. The Agro-enterprise and Technology Systems Project is reorienting agricultural research to meet the needs of private farmers; not the needs of researchers. The AID-funded Agro-enterprise Center is working with users of agricultural products to strengthen their ability to produce for the Nepali market, without protection, and to general export sales.

ELP helps government privatize existing enterprises, open new areas for competition (for example, new financial institutions and airlines), simplify registration and licensing, eliminate subsidies and move toward a hard currency. ELP also works to help convince government of the need to develop a modern tax system. All laws impacting on business, such as contracts and corporate law, are being reviewed with an aim to make them supportive of a private sector-led market economy.

ELP is also working to strengthen business chambers of commerce and develop a continuing education program to improve business skills. Assistance to those firms with sound management skills that will be harmed by liberalization is also being developed. Because of the problem with attitudes within Nepal toward the private sector, and misunderstanding of how a market operates, the ELP is providing information on what the market can do and why the proposed liberalization is necessary to improve public opinion regarding the private sector and to clear misunderstandings about how the Market operates.

E. Relationship to Other Donor Activities

AID efforts could not be nearly as effective without close collaboration with other donors. Coordination takes place through formal and informal mechanisms. Through frequent coordination meetings of the trade and industry donor subgroup, of which AID is an active member, donors learn of each others' programs and develop appropriate approaches toward the same goal. AID has gone further and expanded this dialogue to include the GON and private interests. Over time, the approach of working through government and business leaders has reduced the sense that donors are the driving force for change.

Following are some examples of key areas of mutual multidonor concern:

- Privatization. AID is one of many donors supporting the GON's privatization efforts. A Joint UNDP/World Bank team funded an initial study which led to the identification of the three manufacturing public enterprises that were privatized in 1992. The privatization was carried out with technical assistance financed by UNDP and implemented by the World Bank. AID will carry the program further through providing technical assistance and coordinating privatization efforts for the GON.
- Banking reform. In 1990, the World Bank and UNDP studied the problems of the two large Nepali commercial banks, Rastriya Banijya Bank (RBB) and Nepal Bank, Ltd. (NBL), and concluded that they need to be recapitalized and restructured (the Central Bank Problem Assessment and Strategy Statement, or CBPASS study). A second team of World Bank and UNDP experts has worked with the two banks to improve their credit, staffing and management procedures (CBPASS 2). One of the results of their work was to be a program for long term rehabilitation of the two banks (CBPASS 3). When CBPASS 3 did not work out as planned, USAID provided help to two regional banks to restructure their foreign exchange and open market (treasuries) operations.
- Tax reform. The AID contribution to the tax reform effort is built on the foundation established by the IMF and IBRD. Because of the interest of other donors in assisting this effort, the USAID technical assistance team will work with Ministry of Finance personnel to

establish parameters, and then work with other donors to do the requisite work within those parameters.

- ADB activities. Through the ELP, AID has been an important contributor to the design of the ADB's Industrial Sector Program. Furthermore, AID personnel frequently advise and facilitate the work of visiting ADB technical assistants. AID has also found ADP reports and studies to be of significant value in the design and implementation of the ELP program.
- Other Donor Cooperation Activities. AID has also collaborated closely with the Danish cooperation agency DANIDA in the privatization of the Dairy Development Corporation. This activity will be implemented with assistance from AID's Agroenterprise Technology Systems Project, ATSP. AID has provided assistance to the ADB in privatization of the National Tea Board as well.

III. AMENDED PROJECT DESCRIPTION

A. Goal and Purpose

The Mission's goal under the revised strategy is to promote sustainable economic growth. The strategic objective addressed by this project is to increase the contribution of the private sector to income growth.

The project purpose remains the same as in the August 1991 Project Paper: to help the HMG/N formulate and implement policies that support a pro-market, private sector-led economy; and to assist private organizations and firms in using available economic opportunities.

B. Project Strategy

The ELP project is designed to further the Mission's objectives as reflected in the new strategy. Operationally these goals are set forth in two principal places: the PRISM (Program Information System for Strategic Management) document and the project's workplans which are periodically updated.

The Mission's medium-term policy objectives are shown in the table on the next page. The second column shows the status of recent progress toward these objectives.

Table 2
Policy Reform Matrix

Objective	Recent Accomplishments
<p>1. Movement to a single free exchange rate, fully convertible Nepali rupee within a year, with minimum Rastra Bank regulations; elimination of most licenses for imports, or on foreign travel.</p>	<p>Devaluation by over 30%, elimination of many rules, elimination of almost all quantitative restrictions, elimination of the dual exchange rate; reduction in use of foreign exchange and license auction. Nepalis are now able to hold hard currency accounts. USAID assistance to commercial banks on foreign exchange transactions; USAID study of implications of fully convertible currency.</p>
<p>2. Rationalization of revenue policy, making it supportive of private investment; codifying rules, making regulations public and transparent; expanding tax net and increasing ability of government to fund spending with reduced reliance on donors. Providing revenue authority to local governments.</p>	<p>Some minor rethinking of revenue policy in the Eighth Plan Proposals. Work with the National Planning Commission and Ministry of Finance on how to implement a VAT, simplify sales and excise duties, and revise customs tariff procedures.</p>
<p>3. Reduction in burden of public enterprises through privatization, management contracts and opening enterprises to fair and free competition (no subsidies, loan guarantees, guaranteed markets, etc.). Elimination of government-mandated monopolies, and where a monopoly is necessary, then use management contracts, or the commercialization of activities (private provision of electricity with guaranteed buy-back rates).</p>	<p>100% privatization of three enterprises was done in a fair and transparent way. Request for USAID to be the lead donor in privatizing 14 additional enterprises over the next year. USAID study of need to eliminate subsidy on fertilizers and petroleum products. Rastra Bank willing to consider management contracts for commercial banks; RNAC considering privatizing domestic air service with joint venture for air terminal services.</p>
<p>4. Gradual elimination of the additional duty on all non-Indian imports; reduction in the number of tariff bands, rationalization of the rates to eliminate distortions (development of a neutral system where government does not determine which industries ought to be blessed - government biasing of results often leads to corruption); reducing corruption in customs collection and the reliance on customs to also collect sales, income and other taxes.</p>	<p>Reduction in additional duties on all non-Indian goods, likely further reduction of anti-third country bias in next budget; need to eliminate other pro-India biases in the income and sales taxes; need to float Nepali Rupee with respect to Indian Rupee.</p>

5. Elimination of inappropriate authorities for central government administrators, such as their capricious controls over prices and the movement of commodities. Either eliminate price controls, or use a formula or non-governmental board authorized to permit price changes. An end to the seizure of goods by government from the private sector is not to reoccur unless there is a clear violation of law (smuggling).

6. Implementation of the one-window system for foreign investment in a way that is sympathetic to the pro-business policy; extension of the simplified approval system for foreign investors to Nepali investors, with its implementation in harmony with the policy pronouncements.

7. Simplification of the licensing and registration process for Nepali investors; making decisions quicker. This includes assistance to the development of true cooperatives, developed by people to serve their needs, and an elimination of government-mandated cooperatives, or forcing true cooperatives into an inappropriate mold.

8. Prudent regulation by the Rastra Bank of new financial institutions like leasing companies, finance companies and thrift societies, reduced interference in the operations of commercial banks (elimination of some of priority lending rules, or lending to the smallest and poorest sectors); increased openness of all financial institutions to competition (allow more banks).

9. Review of all government acts to assure conformity with the new policy initiatives (this includes the contracts act, company act, anti-monopolies act, etc.).

There have not been any seizures in a year, nor during this Dasain. Still too much control over prices and movement by district officials. Major changes in electricity, water, fertilizer prices, with commitments to additional rationalization of prices. Changes in tariffs and policies in India have reduced potential profits from smuggling

Implemented. Increase in number of firms registered, successful Investment Forum. There are glitches in the system that government is committed to alleviate. Supportive about changing when issue is raised. Visa problems lessened; bribery lessened.

There has been simplification of the rules, still a bias toward cooperatives. Still considerable problem with local government officials and use of registration as way to collect bribes; one-window needs strengthening and extension. Request from Ministry of Industry for USAID to provide continuing assistance to Department of Industry on one-window.

USAID assistance in developing finance and leasing company legislation, plus Free Market Development Advisor for one finance company. Extensive training activities. New banks, finance companies, leasing companies and merchant bank, plus a Rural bank to take over most non-economic rural banking. Possible conditionality for additional USAID assistance to commercial banks is elimination of priority sector lending, forcing banks to establish rural branches, restructuring of banks.

USAID, through IRIS, has completed work on new Company Act; and approval for work to develop a Contract Act has been received.

C. Project Components

The project has been designed around two inter-related activity areas: (1) competitive market development and (2) private sector strengthening. The first group of activities is primarily targeted at the GON and the second at the private sector.

**Table 3
ELP Cost Elements**

Item	Budget to date	Proposed increase	New total
Licensing and Permits	200,000	200,000	400,000
Taxation and Reporting	629,583	1,500,000	2,129,583
Pricing	132,038	100,000	232,038
Foreign Exchange and Capital Access	859,413	750,000	1,609,413
Labor Union Development	424,118	0	424,118
Open Entry Systems (privatization)	620,786	1,100,000	1,720,786
Business Skill Development	902,333	1,800,000	2,702,333
Strengthening Local Business Institutions	178,700	100,000	278,700
Trade Promotion	227,196	500,000	727,196
Support for American Investment and Trade	0	500,000	500,000
Research	74,013	50,000	124,013
Secretariat Development and Operation	336,820	0	336,820
Evaluation	100,000	0	100,000
Audit	82,000	0	82,000
Other	233,000	400,000	633,000
TOTAL	5,000,000	7,000,000	12,000,000

Each of these items is discussed in detail below.

D. Project Activities

As described above, the project will continue to fund the seven ongoing activities and introduce three new ones.

1. Competitive Market Development

AID efforts in the policy area are designed to develop a competitive economic climate for private sector development. This will include activities directed at privatization, foreign exchange and capital access, and taxation. To reform the regulatory environment and create a more transparent system AID will also work with the GON in the areas of pricing and licensing and permits.

As described in the original project documents, there is also a need for change in labor practices, environmental control and incentive programs, to which the project will provide modest support.

a. Open Entry Systems

This element refers to privatization. AID has funded the training in the US and in Nepal of over 100 senior government officials, including the heads of most public enterprises, and private businesspeople interested in buying state enterprises. Project personnel are now responsible for coordinating all privatization activities this year. This includes work on privatizing six

enterprises, developing a process for privatization and establishing procedures. The HMG has approached USAID with increasing frequency for assistance in privatization, which accounts for the increase of \$1.1 million in the budget for this component.

The Government of Nepal has now completed the first phase of the privatization program by transferring three public enterprises into the private sector: Bansbari Leather and Shoe Factory, Harisiddhi Brick and Tile Factory, and Bhrikuti Paper Mills.

There are still 60 public enterprises under Government control that are potential candidates for privatization. Most were established by the mid-1970s. Currently, public enterprises have virtual monopolies in commercial energy including electricity, oil and coal, basic utilities and the importation of many basic products. Manufacturing public enterprises account for over 70 percent of the domestic market for tobacco products, 62 percent for cement, 55 percent for sugar and 45 percent for leather goods.

Heavy financial resources are being used in sustaining these enterprises, thereby restricting investment to priority areas. According to World Bank estimates, the losses in 1991 were US\$ 38.5 million or 10% of the development budget. Over the six year period (1986-91), the accumulated total loss was US\$ 117.8 million. Realizing the magnitude of government burden in sustaining public enterprises, which are inefficient, poorly managed and overstaffed, the newly elected government committed to privatize them as part of an overall liberalization program of the economy. It selected three enterprises to be privatized in FY 1991/92.

Because of the huge losses (in spite of special concessions), the cost of not privatizing is high, and after the success of the first three privatizations, the government has been encouraged to continue the process. Furthermore, the economy will benefit from fair competition and more efficient delivery of quality goods.

The selection of enterprises for privatization by July 1993 has already been made. The six proposed for privatization are:

1. Nepal Lube Oil
2. Seti Cigarette Factory
3. Raw Hide Collection and Development Corporation
4. Nepal Coal Ltd.
5. Balaju Textile Industry
6. Nepal Bitumen and Barrel Industry

The respective line Ministries and enterprises have started work. For example, Janakpur Cigarette Factory has offered to sell its shares in Seti Cigarette Factory Ltd., and the government has agreed to sell the existing assets. The chosen companies are easy to privatize because of the small size of the enterprises. Of the six, some can be liquidated easily as they have few assets. Shares of others can be floated and the government can reduce or end its share holdings.

Funds from this amendment will permit the AID to provide technical and other types of assistance toward the privatization of fourteen enterprises. The proposed work includes developing the process for privatization, determining the alternatives and which is appropriate where, valuing the enterprises, preparing the books and documents, analyzing the implications and what support steps might be necessary to permit privatization of a specific enterprise. The Project has agreed to provide support, where necessary, for the enterprises that are privatized through the IESC program.

Funds will be spent on a variety of activities, to include technical assistance, short and medium-term consultancies, workshops and seminars, and training.

b. Foreign Exchange and Capital Access

The second major group of ELP policy activities is in the area of foreign exchange liberalization.

In March 1992 the Government of Nepal liberalized foreign exchange rules and regulations through the establishment of a partially convertible rupee. Government reduced the need for many import licenses by allowing the purchase of hard currency at a free market rate serve as the import license. Since many government licensing and registration requirements exist because of the previous need to allocate an overvalued rupee, these moves to make the Nepali rupee convertible, are central to simplifying government's regulation of business in Nepal.

With the sudden implementation of partial rupee convertibility, local commercial banks have been plunged into foreign exchange management without assistance or prior training. From a position of being completely supported in every aspect of foreign exchange management by government's Central (Rastra) Bank, the two commercial banks now find themselves dealing on their own. Neither bank has any background, experience or trained personnel in this field. They need to respond immediately to the demands of their clients to provide efficient, competitive and profitable services while ensuring that internal audit, control and other requirements are met. Without active support in training and implementation, these banks will not be able to meet this challenge. Citibank, as the primary correspondent bank for RBB and NBL, was requested by the two banks, and by the Nepal Rastra Bank to provide emergency assistance. That emergency assistance is nearing completion, but longer term training and establishment of manuals are necessary.

The Nepal Rastra Bank approved the license for a private Nepali-owned bank, Himalaya Bank. This is the first private Nepali-owned bank. It is still in the process of being established and, while it has the expertise to develop credit, management and engage in general banking, it lacks expertise in foreign exchange trading. It is, in a sense, as ignorant of foreign exchange trading procedures as the two commercial banks, and requires assistance for the same reason.

The parent companies of the three Nepali joint venture banks (Nabil, Nepal Grindlays and Nepal IndoSuez) have long experience in foreign exchange trading, and have tapped the experience of their parent banks. Under the first phase of the project, AID worked with government on ending non-convertibility through a partially convertible foreign exchange regime, and then, less than a year later, the Project funded a major study of the implications of moving toward full convertibility. The GON took the step toward full convertibility on the trade account two years earlier than anticipated. The next phase of work is to further simplify foreign exchange rules and begin the process of moving toward full convertibility (mainly convertibility on the investment account, for tourism out of Nepal and for study abroad).

The issue of capital access has a number of dimensions. The project worked with the Securities Exchange Centre to develop procedures for separating the regulatory from the brokerage functions, and to develop training programs for the new private brokers. As the GON completes the separation of regulatory from brokerage function, it is likely that the project will help both ends: developing prudent regulations and further training of private brokers.

AID-funded consultants worked with the Nepal Rastra Bank to develop the legislation permitting the establishment of private finance and leasing companies, and has subsequently provided limited resources to strengthen the new private companies. AID is continuing to work with the Rastra Bank to develop guidelines for prudently regulating the new institutions, and to develop more transparent, understandable and simple procedures for regulating all financial institutions.

The third aspect of foreign exchange and capital access under the project consisted in helping the two large commercial banks make the transition from a controlled foreign exchange regime to the fully convertible regime. This

contract, implemented by Citibank helped implement aspects of the World Bank/UNDP CBPASS (Commercial Banks: Problem Assessment and Strategic Statement) study. Aside from working with them on foreign exchange procedures, Citibank strengthened the money market transactions procedures of the banks. The Project has been discussing with the Nepal Rastra Bank about a possible Phase 2 of this work. This includes further assistance to the two banks on credit analysis, debt recovery, branch banking and development of a management information system. If ELP is to undertake this activity it will be tied to additional liberalization of the financial system such as the end of targeted credit schemes (for rural, small/cottage and poor), rationalization of rural bank branches, splitting the banks into more manageable units (such as regional banks), and work toward privatization (possibly through management contracts) of some of the resulting units. The Amendment provides resources to continue this exploration.

One further activity not explicitly described above, but included in the budget for this component, is the experimental Free Market Development Advisors' Program (FMDAP). The Project has provided support for one of the new financial companies through the experimental FMDAP program. AID plans to provide assistance to other new financial institutions through the FMDAP and IESC, and through local training programs co-funded with USAID/Nepal's Development Training Program.

c. Taxation and Reporting

The third major policy activity is tax reform and reporting. Free convertibility of the rupee, and reduction in customs, excise and sales taxes, have worsened the government's deficit. Changing valuations and other minor changes are insufficient. The Government of Nepal realizes that they must overhaul the entire tax system to make it complement their other measures to liberalize the economy and make it more market-driven and pro-private sector business.

The tax system in Nepal continues to be in a state of disarray. Weak administration, inadequate litigation facilities, existence of poor accounting procedures, incessant loopholes, lack of clarity in tax objectives, discontinuity in fiscal policies, absence of transparency in valuation procedures, and the abuse of discretionary authority have all contributed to the difficulties of the system. Newspaper reports cite instances where tax administrators have actively dissuaded individuals from paying taxes. Indeed, the *World Bank Development Report, 1992* indicates that the Nepali tax system contributes less to total Government revenue than any other country in democratic Asia.

How ineffective is the tax system in Nepal? Consider the following: tax revenues amount to less than 8 percent of Gross Domestic Product (GDP); direct taxes contribute only 10 percent to the total tax take; and tax elasticity is estimated to be less than 0.7 (*International Monetary Fund Fiscal Department Aide-memoire, 1993*). By comparison, in India, taxes as a share of GDP is approximately 15 percent and direct taxes make up 21 percent of total tax revenues.

This ineffectiveness of the tax system has been growing in magnitude in the recent past. Data released by the Nepal Rastra Bank indicate that domestic borrowing as a share of GDP has risen to 1 percent, nearly twice the 0.5 percent target set by the International Monetary Fund (IMF) under the Enhanced Structural Assistance Funds (ESAF) guidelines. With expenditures continuing to grow rapidly, and the revenue base lagging behind, the probability of a huge budget deficit—with all its associated effects—is great.

Against this background, the National Planning Commission has established a study group within the Commission to examine the problems and difficulties of the current tax system and suggests both short and long term recommendations on a future course of action. The recommendations would have to be broad based, focusing on tax reform as it relates to overall economic liberalization in Nepal. The recommendations should be accompanied by an action plan that specifies guidelines on implementation.

The primary task of the Study Group is to evaluate the efficacy of the present tax system and recommend a comprehensive tax package compatible with Nepal's move towards market orientation.

ELP is currently working with the GON to undertake a major review of tax policy and to propose alternative revenue generating measures, especially a Value-Added Tax. This work is being undertaken by CAER (Consulting Assistance for Economic Reform). The first phase is to make suggestions for changes that can be proposed in the next budget speech of the Minister of Finance, and to lay out the process to implement a Value Added Tax. The second phase of work, for which the resources of the Amendment are needed, will permit the Project to assist government in implementing the VAT and the other proposed tax changes. The third phase involves working with the Revenue Administration Training Center to train the new professional revenue cadre in administering the new taxes. The state of the Nepali tax system is one of the major obstacles to developing a private sector-led, market economy in Nepal. ELP ought to not only help change policy (that is reform the tax system), but work to assure that the change is effective (that is, help in implementation).

The other aspect of this element is to improve reporting of economic phenomena. Thus far the project has not been engaged in any activities to improve data collection and reporting, although support through USAID/Nepal's Development Training Project has allowed a few people to receive additional statistical and management information training. The Amendment will permit improvement in the collection and reporting of industrial performance data, as well as provide limited support for other data needed as part of economic liberalization.

d. Licensing and Permits

One of the first activities of the Project was to work with IRIS to field an expert to work with the Department of Industry to develop its registration process through a one-window system. The GON not only vastly simplified the process, it also eliminated many licensing requirements. The only industries that still have registration problems are those that require special government concessions like tax benefits, and the only ones that require special licenses are those in the defense area, or which have major health or environmental implications. In the latter two areas, government has not developed criteria to assess what level of impact would require delaying a license. Thus, licenses are issued almost without regard to their environmental or health impact.

The Amendment to ELP does not anticipate major additional activities in this area, but the Project may work with the Department of Industry, and other donors, to develop environmental protection guidelines, procedures to monitor compliance, and how to assess significant environment and health impact. The Amendment will provide limited resources to permit the Nepalese to assess further simplifications of the registration and licensing requirements such as registration outside Kathmandu, or registration by mail. The environment is an area of increasing concern both to the USG and to the GON. The Amendment will provide resources to address the policy issues, albeit in only a limited way. Other donors, such as the UNDP and ADB have indicated an interest in being involved in helping the GON implement strong environmental controls.

The project has also been heavily involved through the IRIS contract in reforming Nepal's economic laws. This includes assistance in re-writing company law, contract law, anti-monopoly law, and consumer protection law. Additional legislation that it is necessary to revise will be identified and prioritized by the GON during 1993.

e. Pricing

This element refers to the need to eliminate as many of the government's price controls as possible and make sense. To date AID has worked with government on four major areas of eliminating price controls: fertilizers, POL products, airline tickets and foreign exchange. In these areas government has made

prices more closely reflect market conditions and has allowed the private sector to play a larger role in the process. Many price controls exist informally, that is they are tied into the government's ownership of enterprises. This aspect of the project is expected to continue through hiring local researchers and consultants to analyze the implication of current procedures and recommend changes.

As can be seen above, most of the financing for this element will come through existing project activities, but the Amendment will provide for an expansion of \$100,000.

f. Other

There are three other areas for competitive market development: labor practices, environmental control and incentive programs. Environmental control was discussed in the context of licensing and registration, and the incentive programs are related to the liberalization of prices of labor. The project has not dealt with wage rates and minimum wages, but some analysis is feasible if these topics are of sufficient interest.

On the topic of labor practices, AID has made grant to AAFLI (the Asian-American Free Labor Institute) to develop a democratic constitution for the Nepal Trade Union Congress. This enormously successful activity has led to a request for Phase 2 work that work involve assistance in educating workers about their rights, conflict resolution and strengthening the operations of the NTUC. USAID has agreed to fund Phase 2 and resources have been set aside under the original Project.

2. Private Sector Strengthening

The second major objective of the project is to provide resources to strengthen the private sector. These activities are designed to complement the policy activities described above and equip the private sector to take advantage of the new climate for growth.

The documents for the project's first phase identified three areas for private sector work: (1) promote business participation in democratic, political, and policy formulation processes to enhance the private sector's role in national economic growth (local institutions); (2) increase the base of commercial and managerial expertise and strengthen independent business organizations (business skill training); and (3) encourage growth of exports through both technical information and new technologies (trade support). The Business Development Steering Committee has emphasized that its highest priority is element two: business skills development.

a. Business Skill Development

The major activity under this element is the proposed Management Training Academy. The focus of this training will be established small and medium enterprises, but additional grants will be made to work with small and micro enterprises for business literacy.

To strengthen MBA programs in Nepal the project will provide resources to the U.S. Education Foundation in Nepal to recruit six US Fulbright-Hays business professors who will work with Nepal's post-graduate programs. These professors will, where they are able, assist in training of trainers for the continuing education program. Lastly, they will each offer a series of workshops for senior business leaders of modern business techniques. This last element will be supplemented by Nepalis and Indians with well-deserved reputations in the business training field.

This Continuing Education Academy will be embedded in an existing institution and be self-sustaining by the end of the Project. The activity will strengthen existing Nepali institutions and probably require collaboration with comparable Indian institutions. Tightly targeted, highly focused short term courses will be offered throughout the country, dealing with topics of special interest to business people.

b. Strengthening Local Institutions

Project designers originally thought that institution strengthening would be the prime focus of the project's business activities, the Business Development Committee wanted to switch the main focus to skill development. Strengthening district chambers and national trade associations remains an important element in business priorities. Assistance includes training, study tours, and commodities. The project has financed some district training programs conducted by the Small Business Promotion Project (SBPP) established by the German agency GTZ. It is expected that additional training programs will be conducted by Nepali private organizations active in the business skill training areas.

This activity will be expanded. FNCCI will coordinate USAID's help with that of other donors. At present it does not appear likely that other donors will be able to commit significant resources to this type of activity, and thus USAID is likely to play a major role. Funds have been allocated through the contract with the Advisor to the Secretariat to expand these activities. The Amendment will allow further expansion using Nepali training organizations.

c. Trade Promotion

This aspect has been expanded in the implementation of the project to include direct support to trade associations and to individual enterprises to improve their ability to become more competitive. The Project is working with the Central Carpet Association to explore methods to improve marketing in the US with assistance from the IMCC. If these methods are successful, then this activity will be expanded to include housewares, crafts and other potential exports identified as possible by IMCC and confirmed by the Business Development Committee. IESC has agreed to provide a Volunteer to the Hotel Association of Nepal to help it develop a comprehensive development program. Funds have been budgeted for providing additional Volunteers to other trade associations. Limited assistance will be made available to Nepal businesses to support feasibility studies. These will be done by local or Indian experts.

The other aspect of this is to support enterprises that are well managed but are in areas where production in Nepal was only justified under the previous protectionist regime. The Project will provide assistance for adjustment through the IESC program, for larger enterprises, and FMDAP, for medium-sized enterprises. The Peace Corps is developing a program whereby volunteers can help small rural based enterprises and rural chambers of commerce. As Nepal's indigenous business consulting enterprises become more established, it may be possible to contract with them to provide help directly to Nepali organizations. One of the local organizations has recently started marketing its consulting services in other countries in south and south-east Asia. AID will explore ways of using Indian expertise to assist Nepali businesses. India is considering developing an IESC-type organization. If this is established then ELP will encourage the Indian government to try out its program in Nepal.

The estimated additional cost of these activities includes the FMDAP, but not the IESC which is funded out of existing project resources.

d. New Private Sector Strengthening Activities

The project will also fund new activities for direct private sector support.

(1) Support for American Investment and Trade

Some resources have been budgeted to help American Joint (or 100%) Ventures get established in Nepal. This includes help with feasibility studies, training, or limited TA. However, USAID must abide by the limitations placed this type of activity by current legislation.

Another possible way of helping American enterprises is through the development of both a Nepal-American Chamber of Commerce and Industry and an International Chamber of Commerce and Industry. The former will be active in

promotion of joint ventures and trade opportunities, while the latter will be a way for non-Nepalis to have a voice in policy discussions.

This item will be implemented through the USAID Project Committee.

e. **Research Needs**

All the work done to date by IRIS has been in support of policy change and involved working with the GON. Similar assistance was offered to business, but not used. The Secretariat's Advisor can now develop appropriate small contracts quickly that can help the business community analyze government programs and recommend alternatives.

USAID/Nepal has also found that more Nepali researchers and trainers can be used effectively to achieve the project purpose. The project is using less foreign technical assistance than originally envisioned. The Nepali researchers have the advantage of being able to provide a product faster than a foreign consultant, of having access to senior decision makers and thus being able to argue persuasively for the changes, and, of course, of knowing what types of change are implementable in Nepal. In some cases there is a need to provide limited foreign assistance to strengthen the arguments and analysis, and to provide ideas from experiences in other countries.

The activity has been funded out of the original Project, but an additional \$50,000 will be added under the Amendment.

E. **End-of-Project Status**

At the end of the project, the following goals will be achieved:

- Financial and Industrial Policy and Regulatory Reforms will be defined and implemented. In order to develop Nepali industry and business expeditiously, laws, rules and regulations will be revised to facilitate rather than control businessmen to start businesses and develop them. The following will occur:
 - Business Registration and Licensing Procedures will be simplified or eliminated, codified, or made public. At the beginning of the project some 160 signatures were required to start a new business. ELP will provide the GON with technical inputs to carry out policy reforms in the business and financial sectors.
 - International marketing barriers like taxes and regulations will be eliminated. ELP will provide technical consultants to educate GON officials and members of the business community on the adverse consequences of barriers such as taxes and regulations on international marketing.
 - The Tax Codes will be rendered : transparent, equitably applied, simplified, codified, and implemented. ELP has been steadily providing technical assistance to the GON to achieve this objective.
 - Tax Codes will be reformed to increase elasticity and incentives for productive activities. At present the tax system gives the wrong incentives to investors. In 1991 minor changes were made in import duties and elimination of duplication between sales tax and excise duties. By EOP, negotiation of tax due will be based on public documents. The tax system's elasticity will be greater than 1.0 with laws codified, transparent, and understandable. Courts will review tax cases in a timely manner and decisions will be codified.
- Financial markets and instruments will be expanded with prudent regulations Applied implemented. ELP is working with the Ministry of Finance and Nepal Rastra Bank to achieve this objective.

- The type, number and diversity of financial institutions will increase. At present there are 5 commercial banks, 3 insurance companies, 2 development banks, 1 provident bank. By EOP there will be 8 commercial banks, 5 insurance companies, 2 development banks, and 5 other commercial institutions.
- Prudent regulation of new financial institutions will be established and applied. Today there are 5 commercial banks whose loans and financial ratios are tightly regulated. There has been liberalization of interest rates and less supervision of letters of credit, but there are still tight controls on sectoral lending. By EOP, new non-bank financial institutions will be established and financial performance monitored without excessive interference in normal business decisions.
- The percentage of bank loans made to the private sector will increase from its present level of 65%, to 80% by 1996.
- The total market value of equity shares will increase from 1.62 billion rupees to 4 billion by 1995.
- The percentage of free market foreign exchange available on the trade account will increase to 100% by 1996.
- The private sector/state owned enterprise balance will be redressed. The government owns 59 public enterprises, and has investments of Rs. 35.82 billion as of FY 92. The private sector cannot compete with the public enterprises because of protection given them by the government. Protection through subsidies distorts free market pricing mechanisms and hinders private sector participation in trade and industry, thus robbing consumers of fair and potentially lower prices.
- The number and percentage of industrial and commercial state-owned enterprises will decrease to no more than 30.
- There will be privatization of Trade and Investment Promotion activities and distribution of essential commodities. The GON now owns the Trade Promotion Center and Investment Promotion Center. GON controls prices of certain essentials. In order to make these centers effective in their operation and to assure fair and potentially lower prices of essentials; privatization of these centers and decontrol of essentials are required. This indicator measures the steps leading to their privatization.
- The percentage of the USAID/N market basket price index subject to GON control will decrease from its present level of 18% - to 10% by EOP.

IV. PROJECT ANALYSES

The economic and social aspects of this project remain unaltered by the amendment. The financial and implementation analyses have been updated to reflect the increased funding levels and the changes in responsibilities of the implementing parties.

A. Financial Analysis

1. Resource Requirements

Table 4
Economic Liberalization (367-0161)
Summary Illustrative Budget

Item	Original Project	This Amendment	Total to date
I. PRIVATE SECTOR STRENGTHENING			
A. Technical Assistance	640,000	750,000	1,390,000
B. Local TA Support	204,000	195,186	399,186
C. Analyses and Studies	370,000	300,000	670,000
D. Training	1,284,000	890,000	2,174,000
E. Commodities	158,000	380,000	538,000
II. COMPETITIVE MARKET DEVELOPMENT			
A. Technical Assistance	720,000	1,750,000	2,470,000
B. Local TA Support	210,816	204,814	415,630
C. Analysis and studies	316,000	900,000	1,216,000
D. Training	394,000	1,110,000	1,504,000
E. Commodities	105,000	120,000	225,000
III. MISSION ADMINISTRATIVE SUPPORT	183,184	0	183,184
IV. EVALUATIONS	100,000	0	100,000
V. AUDIT	82,000	0	82,000
VI. CONTINGENCY AND INFLATION	233,000	400,000	633,000
TOTAL	5,000,000	7,000,000	12,000,000

Table 5
Economic Liberalization Project, 367-0161)
Obligation Plan
(in thousands of dollars)

	1991	1992	1993	1994	1995	Future Years
Obligations	2,250	1,810	3,100	1,000	1,500	2,340
Expenditures	0	365	1,077	1,750	2,500	6,308

Years beyond 1995 have not yet been programmed.

2. Methods of Implementation and Financing

The table below was prepared with the understanding that project proposals are subject to approval by the project committee system (for more information on the committee system see below in the implementation plan section. Therefore, the methods of implementation and financing discussed here represent the best estimate of the project committee at the time of project design.

Table 6
Methods of Implementation and Financing

Method of Implementation	Method of Financing	Amount
<u>Technical Assistance</u>		4,100,000
PSC	Direct Payment	
Buy-in to central project	Direct Payment, Letter of Credit	
Studies and analyses	Direct Payment	
Competitive procurement	Direct Payment	
<u>Training</u>		2,000,000
Local Contract	Direct Payment	
Buy-in to central projects	Direct Payment, Letter of Credit	
Overseas	Direct Payment	
<u>Commodities</u>		500,000
Contract	Direct Payment	
<u>Evaluation and Audit</u>		
Contract	Direct Payment	
<u>TOTAL</u>		<u>6,600,000</u>

The difference between the subtotal above and the project LOP is for inflation and contingency.

B. Implementation Plan

The project as currently structured depends upon three implementation committees:

- The Policy Dialogue Steering Committee (PDC) is composed of senior officials from the major non-agricultural economic agencies of government. It is chaired by a member of the National Planning Commission, and includes representatives from the Ministries of Finance, Industry, and Commerce, the Nepal Rastra Bank (Central Bank), and the academic community. Because of the increase in activity on legal reform, the member-secretary of the Nepal Law Reform Commission attends Committee meetings. The PDC must approve all activities that emphasize the need to change government policy. Because part of the approach of the Project is to change policy and then help implement the change, the PDC also approves follow-on assistance to help enterprises directly affected by changes in government policy. For example, the Project worked with the Rastra Bank to change government policy toward finance and leasing companies and then the Project provided assistance to the newly formed companies. The Project emphasizes the need for follow-up to policy change.

- The *Business Development Steering Committee (BDC)* is chaired by the Vice-President of the Federation of Nepalese Chambers of Commerce and Industry and includes representatives from national and district chambers and trade associations. Its focus is on helping business adjust to the new liberalized environment. For example, it recommends and approves work to improve business skills, provide technical assistance to businesses, analyze policy alternatives and implications, and strengthen chambers of commerce and trade associations.
- The *USAID Project Committee* is chaired by the Project Officer and includes representatives from the Program and Project Development Office, the PVO Co-financing Project, Development Training Project, Democracy Initiative Project, and Agroenterprise and Technology Support Project (Agroenterprise Center component). Ordinarily the project committee meets once or twice a year, but may meet to consider project proposals that fall outside of the project's normal scope. Support for Labor, the Parliament, and American investment does not require approval of the BDC. These may be approved by the Project Officer or USAID Project Committee. The Project Officer may discuss support for labor, Parliament and American investment or trade with project committee members. The Project Officer, this Committee, or the USAID Director can decide that an activity is not in conformity with USAID rules, regulations, procedures and conformity with Mission and Project objectives. The Project Officer will assure coordination of project activities with other USAID activities.

1. Implementation Responsibilities

AID contracts with other organizations and individuals to provide goods and services. To date, these have included analytical assistance, assistance in implementation of other government policy changes, U.S. business executives to assist Nepali enterprises, and establishment of a Project Secretariat to assist in project implementation. Additional contracts are being negotiated to provide assistance to Nepali chambers of commerce and industry, trade associations, trade unions and Parliamentarians.

The USAID Project Officer has the primary responsibility for project implementation. He undertakes economic policy dialogue with counterparts, is responsible for assuring that the overall quality of the work of the project is correct, that AID guidelines are adhered to, and for seeking approval from the Government of Nepal of any changes in the Project Agreement.

He is assisted by a variety of direct and indirect agents. It was planned that USAID would hire two PSCs, one American and one Nepali, to help implement the project, but the Steering Committees opted for a separate Secretariat. When completely formed, the Secretariat will have an Executive Director, the American Advisor and two Associates (one for each Steering Committee) plus support staff. It can directly contract for activities such as Nepali researchers and trainers, it develops SOWs for the Committees, monitors implementation of all Project activities, provides liaison assistance plus office space to non-Nepali personnel.

While most of the direct contracting the Secretariat does will be small, it will contract for the major business skills development activity through a Nepali training institution. All of its contracts and purchases must be in compliance with USAID rules and regulations.

2. Activity approvals

USAID approves all activities using normal Agency approval procedures before they can be implemented. AID also provides written concurrence to each activity suggested by a Committee at both the planning stage and when the final SOW is ready. The USAID Project Officer, who sits on all three committees, provides this concurrence. The Project Officer presents to the USAID Project Committee activities that might fall outside the scope of the Project Agreement as amended, or are major activities not explicitly mentioned in project documentation. All project activities must have the approval of

at least one of the steering committees, and both when it is in an area where business is seeking a policy change from government. This does not apply to Labor activities, the Parliament, or support for American investment.

Under the new ELP project procedures, USAID's system of approving project proposals has been formalized. The Secretariat (or in some cases the Project Officer) develops a one or two paragraph summary of the problem, discussing why ELP ought to consider addressing it and a general methodology of how it would be addressed. For example, a proposal could discuss providing commodity support to local chambers of commerce. The concept would state the problem and then mention the types of commodities that appear to be needed. After being accepted by a Steering Committee it is referred to USAID for approval.

Following AID approval, the Steering Committee authorizes the Secretariat or a member of the Committee to develop the concept into a detailed proposal. The detailed scope of work must provide sufficient detail, and follow USAID's requirements for Scopes of Work. Thus, it will be in the form which will allow an implementable contract to be negotiated; or researchers undertaking work to have sufficient knowledge of what is required, or trainers to know what must be the content and methods used in courses, or people bidding for delivery of commodities to know the exact nature of the commodities requested.

If the activity clearly falls within the project scope as described in project documentation, the Project Officer may approve it. In order to coordinate with other complementary activities within the Mission, the Project Officer will inform the committee of any new activities the project will embark upon.

3. Communication of plans and decisions

The Project Officer shares proposed activity descriptions with every interested person in the Mission, not just Project Committee members, to assure coordination. As part of its required work, the Economic Liberalization Project Secretariat must submit an Annual Work Plan to the USAID Project Committee. The USAID Project Committee must approve this workplan. Acceptance of this document will constitute USAID's approval to the concept of each activity.

Activities can be approved by the USAID Project Officer without further discussion with the committees if they are included in the Amplified Project Description to the Grant Agreement; cost less than \$500,000; have not been referred to the Project Committee; and conform to the direction of the project. Approval is in the form of a letter from the Project Officer to the concerned committee convener. Copies of the letter are circulated to USAID Project Committee members before being sent.

Approval by the USAID Project Committee is required when any of the conditions above are not met. For example, if an activity is not included in Annex 1 of the Grant Agreement or is more than \$500,000, then the full Committee must review. While decisions of the USAID Project Committee are based on majority vote, any member of the Committee may require that the matter be referred to the Director. Unless any member requests referral to the Director, approval will be noted in minutes of the discussion taken by the USAID Project Officer and circulated to all members. The approval will be provided in the form of a letter from the Project Officer to the concerned committee convener.

4. Evaluation, Monitoring and Audit

The project is scheduled for a comprehensive mid-term evaluation in late 1993. The evaluation will help Mission personnel and the Steering Committee members to decide which activities to expand, continue as implemented, or curtail. An outside firm experienced in business strengthening and policy dialogue programs for developing countries will be contracted for this effort, using project funds. Local expertise and a GON liaison person on the evaluation team will be included. The SOW will be developed by USAID in close consultation with the committee.

Monitoring is a regular function of the project officer, who is assisted by two PSC personnel. Project progress is monitored regularly by the AID project committee, the Embassy's ELP coordinating committee, and the multidonor trade and industry group. Management irregularities and implementation difficulties are brought to the attention of AID by the project's two coordination committees.

As the table above shows, the principal methods of financing are direct payment and letters of credit. Audits for these instruments are normally conducted by the Defense Contract Agency under the auspices of the AID inspector general. It is planned that RIG/A/Singapore will conduct a project or functional audit during the life of the Project. USAID/Nepal will coordinate with RIG/A to determine the timing for this audit. \$82,000 have been budgeted for this purpose.

CABLE

To: SecState, WashDC
From: Kathmandu

Clearances
DIR:KCK
DD:TWS
PPD:RB
ARD:AD
PPD: SJP
drafted NPC

Subject: Section 599 Reporting: Foreign Operations, Export Financing
REFS: (a) STATE 19956, (b) State 20089
for POL/PAR, Richard Green, Asia/FM, Asia/SA

I: Overall Impact on Mission Strategic Objectives and Targets:

- A. Brief Narrative Summary as required by RefA para 2: USAID/Nepal has reviewed its portfolio to assure compliance with all aspects of Section 599 legislation. Mission has three projects that have had to be adjusted: AgroEnterprise and Technology Systems Project, Development Training Project, and Economic Liberalization Project. These projects all support the mission's objective of increasing the private sector's contribution to income growth. They all strengthen the private sector through assistance in promoting new investment or provide skills to improve the capabilities of the private sector. All aspects of USAID/Nepal's program are in compliance with the Section 599.
- B. Summary 599(a) Financial Incentives to Business Enterprises: While compliance with this section will pose the greatest problems for the mission, we have made the required tentative adjustments. Mission has been working with interested American investors. Most of these have been in tourism, or just involve the export of American equipment. Determining when an investment is in violation is not clear and additional guidelines will be necessary. Since these restrictions do not apply to investments made by other nationalities, they will place American investors at a relative disadvantage. Mission is developing guidelines to assist Project Officers, but would appreciate receiving a checklist of questions we ought to ask before engaging in any support that might be in violation.
- C. Summary 599(b) Assistance to Export Processing Zones: Mission was already strongly opposing efforts by the Government of Nepal, possibly with Asian Development Bank assistance, to establish an EPZ in Nepal. We shall let the Government and ADB know the additional arguments presented in the legislation to further strengthen our position. If necessary, we shall instruct the US representative to the ADB to vote against the project.
- D. Summary 599FCL Internationally Recognized Workers Rights: Mission has already been working with the Asian American Free Labor Institute (AFL-CIO) to strengthen workers' rights. AAFLI has been active in emphasizing the need to eliminate child labor and unfair legislation in Nepal.

II. Impact on Programs and Projects.

A. Section 599(a) Programs Affected under financial incentives to a business enterprise

- (1) (a) 367-161 Economic Liberalization Project, currently \$5 million LOP, an amendment to increase LOP to \$12 million is under consideration, FY 93 est. expenditure \$950,000, FY 93 est. obligations \$3.1 million. (b) 367-167 SIRE Project's Agroenterprise and Technology Systems Component, \$13million LOP, fy93 est. expenditures \$250,000, no FY 93 est. obligations, and (c) 367-152 Development Training Project, \$16 million LOP, fy 93 est. expenditures \$695,000, fy93 obligations \$1,329,000.
- (2) Mission has reviewed all existing and proposed activities of these projects that may involve financial incentives to U.S. business to relocate jobs or activities in Nepal. No activities are currently taking place that might violate the intent of the new legislation, but some activities were being planned that could present a problem. Mission is developing a checklist based on the guidelines in ref b to guide Project Officers in activities to avoid and how to determine whether activities are permissible. Any potential problems will be brought to a USAID Project Committee for review.
- (3) As additional experience permits, Mission would appreciate supplementary guidance as to how to assess whether credit programs, training programs or TA that assist existing and proposed new investments ought to be reviewed. For example, one American firm is considering investing in Nepal in software development. This type of software is for the U.S. market and is being written in other countries. Before we provide assistance do we have to prove that the software is not currently being written in the U.S.? How extensive must our search be? The foreign subsidiary of an American company may also seek assistance. Are the rules relating to that investment the same as if the investment were coming directly from the U.S.? Mission believes the new legislation will make it more difficult to help American firms, and will place them at a competitive disadvantage to non-American firms which are not covered by the legislation.

B. Section 599(b) Assistance to Export Processing Zones

- (1) 367-161 Economic Liberalization Project, \$5 million, FY 93 est. expenditure \$1.5 million, FY 93 est. obligations \$2 million.
 - (2) Mission has reaffirmed its opposition to possible support of an EPZ by the Asian Development Bank and will request a negative vote by the U.S. representative to the ADB if necessary. Mission does not believe the development of an EPZ would be beneficial to Nepal; the additional support from 599(b) reaffirms our position.
 - (3) Under what conditions may USAID support an EPZ? We would appreciate guidelines as to what laws must be enforced within an EPZ. Is the opposition unqualified, or are there exceptions?
- 

C. Section 599FCL, internationally recognized workers rights

- (1) 367-161 Economic Liberalization Project, \$5 million, FY 93 est. expenditure \$1.5 million, FY 93 est. obligations \$2 million.
- (2) Mission is currently supporting efforts by AAFLI to democratize the major trade union. This approach establishes a model that appears likely to be followed by other unions. As part of this work AAFLI has worked with Nepali organizations to indicate what changes will have to be made in Nepal's child labor laws to meet international requirements. This includes proposed modifications in Nepal's labor law to assure that workers rights are supported in legislation and in practice. Mission meets with garment producers who export to the U.S. under quota to assure that no child labor is being used. Carpet manufacturers in Nepal, which export mainly to Europe, do use child labor. Government recently fined three carpet producers who violated Nepali law on child labor (this restricts the number of hours a child 14 or under may work). USAID is working with the central carpet producers association to emphasize the need to meet the requirements of international conventions (these usually require no employment of children 15 or under). We shall continue to emphasize the need to end this practice and to develop a way to certify those companies that do not use child labor.
- (3) No additional information is needed at this time.

Memo: AID Programs & U.S. Jobs

TO: Richard Byess, PPD Honcho
FROM: Neal P. Cohen, Economist-Private Sector Officer, PPD 

These are some comments on State 343889.

① USAID is not now providing any financial incentive to a US business enterprise to relocate to Nepal. We are working with Nepali investors who are seeking U.S. joint venture partners. The enterprises that we are currently considering assisting (none have actually reached the stage of actual assistance) are involved in hotels, hydro-electric generation, seed production, mineral water bottling, software development, and photo voltaic cells. Hotel construction and operation in Nepal would not have any impact on U.S. jobs, although it is possible that the American partner might insist on stationing someone in Nepal. This would increase U.S. employment. The hydro-electric generation would increase U.S. jobs through the purchase of U.S. equipment. As with hotels the American partner would probably have a home office person seconded to the Nepali venture. The seed production effort would reduce current purchases from India to producing in Nepal, thus it would not involve any loss of U.S. jobs. The Mineral Water production is also designed to reduce imports from India and stimulate local production. No mineral water is purchased from the U.S. now. Nepal has had a long relationship with a California firm on software development and data entry (the wholly owned subsidiary has been in Nepal for over a decade). This would possibly be an expansion of that type of work. There is a possibility that this could result in the transfer of jobs and thus we shall have to analyze it closer to determine whether we can continue to assist this firm. The photo-voltaic cells that are being discussed are of a variety not produced in the U.S. because of their high labor content. Thus the arrangement would result in the export of U.S. equipment to help manufacture the cells, but there would not be a loss of any jobs since this type of work does not take place in the U.S..

② USAID/Nepal has opposed the efforts of the GON and the ADB to establish an EPZ in Nepal on the grounds of cost-effectiveness. The proposed EPZ would have been subject to Nepal's environmental and labor laws, but it would have resulted in a tax and tariff free environment. The ADB agreed with USAID's arguments that there was insufficient demand for such a facility. The ADB could only identify as potential users of the facility jewelry makers, and electronic goods assembly. Government had expected to attract firms currently operating in Hong Kong, Taiwan and Korea to the facility. They had not considered it possible to attract any U.S. firms to the facility. In any case, the EPZ will not be established with donor resources.

● USAID has a contract with AAFLI to help democratize unions. This is to support the development of democratic unions in Nepal and assure that international trade union standards are adhered to. As part of this work the AAFLI representative is looking at Nepal's compliance with international standards on child labor. They have assisted USAID in making the case that child labor is not acceptable. At present there is considerable child labor in many different industries, but most noticeably in carpet manufacturing. Under pressure from the AAFLI and buyers in the major export market, Germany, the government will be beginning a certification process for carpets that will be monitored by AAFLI and European unions.

ANNEX C

TRAINING PLAN FOR USA, THIRD COUNTRY, AND IN-COUNTRY (NEPAL) TRAINING

This project activity contains separate training programs, both formal and on-the-job. Training can be categorized by locale, duration, trainers and trainees, academic or technical, etc... The project is self-limiting to non-degree (technical) training which is targeted at specific, well-defined needs and problems. The training plan covers years three through seven of the project. For each type of training, the duration and location are shown, and the number of courses/number of participants per course is also shown, i.e. 4/20 signifies four courses with twenty participants in each course.

The total estimated cost for USA training is \$1,328,190. The total estimated cost for Regional training is \$909,705. The total estimated cost for In-Country (Nepal) Training is about \$800,000.

Training Course	Duration	Location	FY 94	FY95	FY96	FY97	FY98	Person Months
One-Window, regulation, licensing, environmental controls	one week	Nepal	1/10	1/10	--	--	--	6
Study tour of One-Window	three weeks	Region	1/4	--	--	--	--	3
Anti-monopoly law	two weeks	Region	1/5	1/5	--	--	--	6
Consumer Protection Laws	one week	Region	1/5	--	--	--	--	2
International Law	two weeks	USA	--	1/2	--	--	--	1
Sales and Excise Tax Reform	one week	Nepal	3/15	1/15	--	--	--	16
Value Added Tax	two days	Nepal	1/100	2/100	--	--	--	21
Value Added Tax	four weeks	USA	1/2	1/2	1/2	--	--	6
Advanced Tax Administration	four months	USA	1/2	1/2	1/2	--	--	24
Revenue Administration Improvement	one week	Nepal	3/20	3/20	3/20	--	--	45
Statistical Analysis	two weeks	Nepal	4/20	4/20	4/20	--	--	120
Statistical Analysis	nine months	USA	1/2	1/2	1/2	--	--	54
Loan and Credit Analysis	one week	Nepal	2/20	1/20	1/20	--	--	20
New Financial Instrument	one week	Nepal	1/20	1/20	1/20	--	--	15
Merchant Banking	two weeks	Nepal	1/15	1/15	--	--	--	16
Private Stock Brokering	one week	Nepal	2/20	1/20	--	--	--	15
Stock Exchange Development	two weeks	Region	1/5	--	--	--	--	3
Bank MIS	one week	Nepal	1/15	1/15	--	--	--	8
Evaluation and Audit for Banks	two weeks	Nepal	1/20	1/20	--	--	--	20
Foreign Exchange Dealing	two weeks	Nepal	1/15	1/15	--	--	--	16

Training Course	Duration	Location	FY 94	FY95	FY96	FY97	FY98	Person Months
Conflict Resolution	one week	Nepal	3/20	3/20	--	--	--	30
Trade Union Administration	three days	Nepal	1/15	1/15	1/15	--	--	6
Basic Business Literacy	one week	Nepal	40/20	40/20	--	--	--	400
Financial Accounting	two weeks	Nepal	2/20	2/20	2/20	2/20	--	80
Management Techniques	two weeks	Nepal	2/20	2/20	2/20	2/20	--	80
Marketing	two weeks	Nepal	2/20	2/20	2/20	2/20	--	80
Accounting for non-accountants	one week	Nepal	2/20	2/20	2/20	2/20	--	40
Marketing for non-marketing people	one week	Nepal	2/20	2/20	2/20	2/20	--	40
Personnel Management	two weeks	Nepal	2/15	2/15	2/15	2/15	--	60
Senior Management Training	half day	Nepal	15/15	15/15	15/15	15/15	--	16
Training for District Chambers	three days	Nepal	5/15	5/15	5/15	5/15	5/15	50
Product study tours	two weeks	Region	2/6	2/6	2/6	--	--	18
Product study tours	two weeks	USA	2/5	2/5	2/5	2/5	--	20
Product specific training	one week	Nepal	2/10	2/10	2/10	2/10	2/10	25
Financial Accounting	one month	Region	1/3	1/3	1/3	1/3	1/3	15
Management	one month	Region	1/3	1/3	1/3	1/3	1/3	15
Marketing	one month	Region	1/3	1/3	1/3	1/3	1/3	15
Personnel Management	one month	Region	1/3	1/3	1/3	1/3	1/3	15

SUMMARY: FIVE-YEAR TRAINING PLAN

LOCATION OF TRAINING	NO. OF PARTICIPANTS	PERSON MONTHS OF TRAINING
USA	60	105
Region	120	92
Nepal	5,190	1,225
TOTAL:	5,370	1,422

BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

Academic
 Technical

**SEE "Instructions: Budget Estimate Worksheet"

PROJECT NUMBER 367-0161	COMMENTS: Third Country Training - All Technical Training
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I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
C. Travel					\$ 14,064
1. International	12	RNDTRP	\$ 1,172 / TRP	\$ 14,064	
2. Local	--	--	-- /	--	
3. Other (Mission Option)	--	--	-- /	--	
D. Insurances					276
1. HAC for U.S.	--	--	-- /	--	
2. Required by Institution	--	--	-- /	--	
3. Other (Mission Option) Pre-dept Medical	12	12 parts	23 / P	276	
E. Supplemental Activities					6,684
1. ELT, In-Country	--	--	-- /	--	
2. ELT, U.S.	--	--	-- /	--	
3. Academic Up-Grade	--	--	-- /	--	
4. Reception Services	12	Taxi Fare	118 / P	1,416	
5. WIC Orientation	--	--	-- /	--	
6. Other Orientation	--	--	-- /	--	
7. Interpreters/Escorts	--	--	-- /	--	
8. Internship/Cooperative	--	--	-- /	--	
9. Enrichment Programs	--	--	-- /	--	

* Units are standard measures for the complement (e.g., participants, participant weeks, etc.)

BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

Academic
 Technical

PROJECT NUMBER 367-0161

COMMENTS: Third Country Training - All Technical Training

II. ADMINISTRATIVE COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL
II.F. Administrative Costs	\$	\$	\$	\$	\$
1. Salaries (Total)					
a. Professional					
i. U.S.					
ii. Field	Administrative costs for the training planned under the project will be				
b. Support Staff	absorbed by the Mission and the Development Training Project (367-0152)				
i. U.S.					
ii. Field					
2. Fringe Benefits					
3. Travel (Total)					
a. International					
b. Local					
4. Consultant Fees (Total)					
a. United States					
b. Field					
5. Equipment					
6. Sub-Contracts					
7. Indirect Costs					
8. Other (Mission Option)					
TOTAL PARTICIPANT COSTS (A+B+C+D+E+F)	\$	\$	\$	\$	\$

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BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

Academic
 Technical

SEE "Instructions: Budget Estimate Worksheet"

PROJECT TITLE Economic Liberalization Project	PROJECT NUMBER 367-0161	PROJECT YEAR 3 of 7 Years *
PROJECT WRITER	PARTICIPANT MONTHS PROJECTED (THIS YEAR) 33	DATE BUDGET PREPARED

COMMENTS: USA Participant Training - All Technical Training *ELP began in FY 1992, but this training plan was developed in FY 1993 for the PP Amendment

I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
A. Education/Training Cost	16				\$ 167,960
1. Tuition/Fees	4	26 months	\$ 3,500 / M	\$ 91,000	
2. Training Costs	12	12 participants	6,000 / P	72,000	
3. Package Program Costs	--	--	-- /	--	
4. Other (Mission Option) Contractor Admin Fees	16	16 parts	310 / P	4,960	
B. Allowances					67,355
1. Maintenance Advance	16	16 parts	250 / P	4,000	
2. Living/Maintenance	4	26 months	Washington standard	38,720	
3. Per Diem	12	7 months	3,245 / M	22,715	
4. Books & Equipment	16	16 parts	60 / P	960	
5. Book Shipment	16	16 parts	60 / P	960	
6. Typing (papers) - Academic Only	--	--	-- /	--	
7. Thesis - Academic Only	--	--	-- /	--	
8. Doctoral Dissertation - Academic	--	--	-- /	--	
9. Professional Membership	--	--	-- /	--	
10. Other (Mission Option)	--	--	-- /	--	

* Units are standard measures for the cost element (e.g., participants, participant weeks, etc.)

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BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

Academic
 Technical

****SEE "Instructions: Budget Estimate Worksheet"****

PROJECT NUMBER 367-0161	COMMENTS: USA Participant Training - All Technical
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I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
C. Travel					\$ 55,000
1. International	16	Per RNDTRP	\$ 3,000 / TRP	\$ 48,000	
2. Local	14	14 Trips	500 / P	7,000	
3. Other (Mission Option)	--	--	-- /	--	
D. Insurances					4,200
1. HAC for U.S.	16	33 PM	120 / M	3,960	
2. Required by Institution	--	--	-- /	--	
3. Other (Mission Option) Pre-dept. medical	16	16 exams	15 / P	240	
E. Supplemental Activities					38,400
1. ELT, In-Country	--	--	-- /	--	
2. ELT, U.S.	--	--	-- /	--	
3. Academic Up-Grade	--	--	-- /	--	
4. Reception Services	16	16 parts	120 / P	1,920	
5. WIC Orientation	16	16 parts	505 / P	8,080	
6. Other Orientation	--	--	-- /	--	
7. Interpreters/Escorts	10	2 escorts	/	12,500	
8. Internship/Cooperative	--	--	-- /	--	
9. Enrichment Programs	--	--	-- /	--	

* Units are standard measures for the complement (e.g., participants, participant weeks, etc.)

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ATTACHMENT 5A
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BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

SEE "Instructions: Budget Estimate Worksheet"

Academic
 Technical

PROJECT TITLE Economic Liberalization Project	PROJECT NUMBER 367-0161	PROJECT YEAR 4 of 7 Years*
PROJECT WRITER	PARTICIPANT MONTHS PROJECTED (THIS YEAR) 34	DATE BUDGET PREPARED

COMMENTS: USA Participant Training -- All Technical Training *ELP began in FY 1992, but this training plan was developed in FY 1993 for the PP Amendment

I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
A. Education/Training Cost	18				\$ 198,638
1. Tuition/Fees	4	26 months	\$ 3,850 / M	\$ 100,100	
2. Training Costs	14	14 parts	6,600 / P	92,400	
3. Package Program Costs	--	--	--	--	
4. Other (Mission Option) Contractor Admin. Fees	18	18 parts	341 / P	6,138	
B. Allowances					78,456
1. Maintenance Advance	18	18 parts	275 / P	4,950	
2. Living/Maintenance	4	26 months	/	42,586	
3. Per Diem	14	8 months	3,568 / M	28,544	
4. Books & Equipment	18		66 / M	1,188	
5. Book Shipment	18		66 / M	1,188	
6. Typing (papers) - Academic Only	--	--	--	--	
7. Thesis - Academic Only	--	--	--	--	
8. Doctoral Dissertation - Academic	-	--	--	--	
9. Professional Membership	--	--	--	--	
10. Other (Mission Option)	--	--	--	--	

* Units are standard measures for the cost element (e.g., participants, participant weeks, etc.)

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BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

Academic
 Technical

SEE "Instructions: Budget Estimate Worksheet"*

PROJECT NUMBER

367-0161

COMMENTS:

USA Participant Training -- All Technical

I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
C. Travel					\$ 67,100
1. International	18	RNDTRP	\$ 3,300/TRP	\$ 59,400	
2. Local	14	14 trips	550/TRP	7,700	
3. Other (Mission Option)	--	--	-- /	--	
D. Insurances					4,794
1. HAC for U.S.	18	34 PM	132/M	4,488	
2. Required by Institution	--	--	-- /	--	
3. Other (Mission Option) <u>Pre-dept. Medical</u>	18	18 exams	17/P	306	
E. Supplemental Activities					30,204
1. ELT, In-Country	--	--	-- /	--	
2. ELT, U.S.	--	--	-- /	--	
3. Academic Up-Grade	--	--	-- /	--	
4. Reception Services	18		132/P	2,376	
5. WIC Orientation	18		556/P	10,008	
6. Other Orientation	--	--	-- /	--	
7. Interpreters/Escorts	--	--	-- /	--	
8. Internship/Cooperative	---	--	-- /	--	
9. Enrichment Programs	--	--	-- /	--	

* Units are standard measures for the cost element (e.g., participants, participant weeks, etc.)

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BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

SEE "Instructions: Budget Estimate Worksheet"*

Academic

Technical

PROJECT TITLE

Economic Liberalization Project

PROJECT NUMBER

367-0161

PROJECT YEAR

5 Of 7 Years

PROJECT WRITER

PARTICIPANT MONTHS PROJECTED
(THIS YEAR) 33

DATE BUDGET PREPARED

COMMENTS.

USA Participant Training - All Technical Training

* ELP began in FY 1992, but this training plan was developed in FY 1993 for the PP Amendment

I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
A. Education/Training Cost					\$ 217,750
1. Tuition/Fees	4	26 months	\$ 4,235 / M	\$ 110,110	
2. Training Costs	14	14 parts	7,260 /	101,640	
3. Package Program Costs	--	--	-- /	--	
4. Other (Mission Option) Contractor Admin. Fees	16	16 parts	375 / P	6,000	
B. Allowances					81,430
1. Maintenance Advance	16	16 parts	303 / P	4,848	
2. Living/Maintenance	4	26 months	/	46,820	
3. Per Diem	12	7 months	3,918 / M	27,426	
4. Books & Equipment	16	16 parts	73 / P	1,168	
5. Book Shipment	16	16 parts	73 / P	1,168	
6. Typing (papers) - Academic Only	--	--	-- /	--	
7. Thesis - Academic Only	--	--	-- /	--	
8. Doctoral Dissertation - Academic	--	--	-- /	--	
9. Professional Membership	--	--	-- /	--	
10. Other (Mission Option)	--	--	-- /	--	

* Units are standard measures for the cost element (e.g., participants, participant weeks, etc.)

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BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

Academic
 Technical

**SEE "Instructions: Budget Estimate Worksheet" **

PROJECT NUMBER
367-0161

COMMENTS:
USA Participant Training - All Technical Training

I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
C. Travel					\$ 66,550
1. International	16	16 RNDTRP	\$ 3,630 / TRP	\$ 58,080	
2. Local	14	14 Trips	605 / TRP	8,470	
3. Other (Mission Option)	--	--	-- /	--	
D. Insurances					5,089
1. HAC for U.S.	16	33 months	145 / M	4,785	
2. Required by Institution	--	--	-- /	--	
3. Other (Mission Option) Pre-dept Medical	16	16 exams	16 / P	304	
E. Supplemental Activities					46,476
1. ELT, In-Country	--	--	-- /	--	
2. ELT, U.S.	--	--	-- /	--	
3. Academic Up-Grade	--	--	-- /	--	
4. Reception Services	16		145 / P	2,320	
5. WIC Orientation	16		612 / P	9,792	
6. Other Orientation	--	--	-- /	--	
7. Interpreters/Escorts	10	2 escorts	/	15,125	
8. Internship/Cooperative	--	--	-- /	--	
9. Enrichment Programs	--	--	-- /	--	

* Units are standard measures for the complement (e.g., participants, participant weeks, etc.)

ATTACHMENT 5A
HB 10, TM 10:108

BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

**SEE "Instructions: Budget Estimate Worksheet"

Academic
 Technical

PROJECT TITLE Economic Liberalization Project	PROJECT NUMBER 367-0161	PROJECT YEAR 6 of 7 * Years
PROJECT WRITER	PARTICIPANT MONTHS PROJECTED (THIS YEAR) 5	DATE BUDGET PREPARED

COMMENTS: USA Participant Training - All Technical Training * ELP began in FY 1992, but this training plan was developed in FY 1993 for the PP Amendment

I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
A. Education/Training Cost					\$ 83,990
1. Tuition/Fees	--	--	\$ -- /	\$ --	
2. Training Costs	10	10 parts	7,986 / P	79,860	
3. Package Program Costs	--	--	-- /	--	
4. Other (Mission Option) Contractor Admin. Fees	10	10 parts	413 / P	4,130	
B. Allowances					26,485
1. Maintenance Advance	10	10 parts	333 / P	3,330	
2. Living/Maintenance	--	--	-- /	--	
3. Per Diem	10	5 months	4,311 / M	21,555	
4. Books & Equipment	10	10 parts	80 / P	800	
5. Book Shipment	10	10 parts	80 / P	800	
6. Typing (papers) - Academic Only	--	--	-- /	--	
7. Thesis - Academic Only	--	--	-- /	--	
8. Doctoral Dissertation - Academic	--	--	-- /	--	
9. Professional Membership	--	--	-- /	--	
10. Other (Mission Option)	--	--	-- /	--	

* Units are standard measures for the cost element (e.g., participants, participant weeks, etc.)

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BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

Academic
 Technical

SEE "Instructions: Budget Estimate Worksheet"

PROJECT NUMBER 367-0161	COMMENTS: USA Participant Training - All Technical Training
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I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
C. Travel					\$ 46,590
1. International	10	RNDTRP	\$ 3,993 / TRP	\$ 39,930	
2. Local	10	10 trips	666 / TRP	6,660	
3. Other (Mission Option)	--	--	-- /	--	
D. Insurances					1,010
1. HAC for U.S.	10	5 months	160 / M	800	
2. Required by Institution	--	--	-- /	--	
3. Other (Mission Option) Pre-dept Medical	10	10 exams	21 / P	210	
E. Supplemental Activities					26,963
1. ELT, In-Country	--	--	-- /	--	
2. ELT, U.S.	---	--	-- /	--	
3. Academic Up-Grade	--	--	-- /	--	
4. Reception Services	10		160 / P	1,600	
5. WIC Orientation	10		673 / P	6,730	
6. Other Orientation	--	--	-- /	--	
7. Interpreters/Escorts	10	2 excorts	/	16,638	
8. Internship/Cooperative	--	--	-- /	--	
9. Enrichment Programs	--	--	-- /	--	

* Units are standard measures for the component (e.g., participants, participant weeks, etc.)

BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

Academic
 Technical

PROJECT NUMBER 367-0161

COMMENTS: USA Participant Training - All Technical Training

II. ADMINISTRATIVE COST

ATTACHMENT 5A
 HB 10, TM 10:108

PROGRAM CATEGORIES/TRAINING ACTIVITIES	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL
II.F. Administrative Costs	\$	\$	\$	\$	\$
1. Salaries (Total)					
a. Professional					
i. U.S.					
ii. Field	Administrative costs for the training planned under the project				
b. Support Staff	will be absorbed by the Mission and the Development Training Project				
i. U.S.	(367-0152).				
ii. Field					
2. Fringe Benefits					
3. Travel (Total)					
a. International					
b. Local					
4. Consultant Fees (Total)					
a. United States					
b. Field					
5. Equipment					
6. Sub-Contracts					
7. Indirect Costs					
8. Other (Mission Option)					
TOTAL PARTICIPANT COSTS (A+B+C+D+E+F)	\$	\$	\$	\$	\$

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ATTACHMENT 5A
 HB 10, TM 10:108

BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

**SEE "Instructions: Budget Estimate Worksheet" **

Academic
 Technical

PROJECT TITLE Economic Liberalization Project	PROJECT NUMBER 367-0161	PROJECT YEAR 3 of 7 Years *
PROJECT WRITER	PARTICIPANT MONTHS PROJECTED (THIS YEAR) 29	DATE BUDGET PREPARED

COMMENTS: Third Country Training - All Technical Training * ELP began in FY 1992, but this training plan was developed in FY 1993 for the PP Amendment

I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
A. Education/Training Cost					\$ 172,000
1. Tuition/Fees	--	--	\$ -- /	\$ --	
2. Training Costs	43	43 parts	4,000 /P	172,000	
3. Package Program Costs	--	--	-- /	--	
4. Other (Mission Option)	--	--	-- /	--	
B. Allowances					49,232
1. Maintenance Advance	43	43 parts	250 /P	10,750	
2. Living/Maintenance	--	--	-- /	--	
3. Per Diem	43		/	33,322	
4. Books & Equipment	43	43 parts	60 /P	2,580	
5. Book Shipment	43	43 parts	60 /P	2,580	
6. Typing (papers) - Academic Only	--	--	-- /	--	
7. Thesis - Academic Only	--	--	-- /	--	
8. Doctoral Dissertation - Academic	--	--	-- /	--	
9. Professional Membership	--	--	-- /	--	
10. Other (Mission Option)	--	--	-- /	--	

* Units are standard measures for the cost element (e.g., participants, participant weeks, etc.)

BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

Academic
 Technical

**SEE "Instructions: Budget Estimate Worksheet"

PROJECT NUMBER 367-1061	COMMENTS Third Country Training - All Technical Training
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I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
C. Travel					\$ 34,400
1. International	43	RNDTRP	\$ 800 / TRP	\$ 34,400	
2. Local	---	--	-- /	--	
3. Other (Mission Option)	--	--	-- /	--	
D. Insurances					645
1. HAC for U.S.	--	--	-- /	--	
2. Required by Institution	--	--	-- /	--	
3. Other (Mission Option) Pre-dept Medical	43	43 parts	15 / P	645	
E. Supplemental Activities					19,540
1. ELT, In-Country	--	--	-- /	--	
2. ELT, U.S.	--	--	-- /	--	
3. Academic Up-Grade	--	--	-- /	--	
4. Reception Services	43	Taxi Fare	80 / P	3,440	
5. WIC Orientation	--	--	-- /	--	
6. Other Orientation	--	--	-- /	--	
7. Interpreters/Escorts		2 excorts	200 / P	3,200	
8. Internship/Cooperative	--	--	-- /	--	
9. Enrichment Programs	--	--	-- /	--	

* Units are standard measures for the complement (e.g., participants, participant weeks, etc.)

BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

**SEE "Instructions: Budget Estimate Worksheet" **

Academic
 Technical

PROJECT TITLE
Economic Liberalization Project

PROJECT NUMBER
367-0161

PROJECT YEAR
4 Of 7 Years *

PROJECT WRITER

PARTICIPANT MONTHS PROJECTED
(THIS YEAR) 21

DATE BUDGET PREPARED

COMMENTS:

Third Country Training - All Technical Training

*ELP began in FY 1992, but this training plan was developed in FY 1993 for the PP Amendment

I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
A. Education/Training Cost					\$ 127,600
1. Tuition/Fees	--	--	\$ -- /	\$ --	
2. Training Costs	29	29 parts	4,400 / P	127,600	
3. Package Program Costs	--	--	-- /	--	
4. Other (Mission Option)	--	--	-- /	--	
B. Allowances					40,904
1. Maintenance Advance	29	29 parts	275 / P	7,975	
2. Living/Maintenance	--	--	-- /	--	
3. Per Diem	29		/	29,101	
4. Books & Equipment	29	29 parts	66 / P	1,914	
5. Book Shipment	29	29 parts	66 P	1,914	
6. Typing (papers) - Academic Only	--	--	-- /	--	
7. Thesis - Academic Only	--	--	-- /	--	
8. Doctoral Dissertation - Academic	--	--	-- /	--	
9. Professional Membership	--	--	-- /	--	
10. Other (Mission Option)	--	--	-- /	--	

* Units are standard measures for the cost element (e.g., participants, participant weeks, etc.)

BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

Academic
 Technical

**SEE "Instructions: Budget Estimate Worksheet" **

PROJECT NUMBER
367-0161

COMMENTS:
Third Country Training - All Technical Training

I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
C. Travel					\$ 22,520
1. International	29	RNDTRP	\$ 880 / TRP	\$ 22,520	
2. Local	--	--	-- /	--	
3. Other (Mission Option)	--	--	-- /	--	
D. Insurances					493
1. HAC for U.S.	--	--	-- /	--	
2. Required by Institution	--	--	-- /	--	
3. Other (Mission Option) Pre-dept Medical	29	29 parts	17 / P	493	
E. Supplemental Activities					14,522
1. ELT, In-Country	--	--	-- /	--	
2. ELT, U.S.	--	--	-- /	--	
3. Academic Up-Grade	--	--	-- /	--	
4. Reception Services	29	Taxi Fare	88 / P	2,552	
5. WIC Orientation	--	--	-- /	--	
6. Other Orientation	--	--	-- /	--	
7. Interpreters/Escorts		2 escorts	200 / P	2,400	
8. Internship/Cooperative	--	--	-- /	--	
9. Enrichment Programs	--	--	-- /	--	

* Units are standard measures for the cost element (e.g., participants, participant weeks, etc.)

**BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)**

SEE "Instructions: Budget Estimate Worksheet"*

Academic
 Technical

PROJECT TITLE
Economic Liberalization Project

PROJECT NUMBER
367-0161

PROJECT YEAR
5 OF 7 Years*

PROJECT WRITER

PARTICIPANT MONTHS PROJECTED
(THIS YEAR) 24

DATE BUDGET PREPARED

COMMENTS:
Third Country Training - All Technical Training

* ELP began in FY 1992, but this training plan was developed in FY 1993 for the PP Amendment

I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
A. Education/Training Cost					\$ 116, 160
1. Tuition/Fees	--	--	\$ -- /	\$ --	
2. Training Costs	24	24 parts	4,840 / P	116, 160	
3. Package Program Costs	--	--	-- /	--	
4. Other (Mission Option)	--	--	-- /	--	
B. Allowances					39,516
1. Maintenance Advance	24		303 / P	7,272	
2. Living/Maintenance	--	--	-- /	--	
3. Per Diem	24		/	28,740	
4. Books & Equipment	24	24 parts	73 / P	1,752	
5. Book Shipment	24	24 parts	73 / P	1,752	
6. Typing (papers) - Academic Only	--	--	-- /	--	
7. Thesis - Academic Only	--	--	-- /	--	
8. Doctoral Dissertation - Academic	--	--	-- /	--	
9. Professional Membership	--	--	--- /	--	
10. Other (Mission Option)	--	--	-- /	--	

* Units are standard measures for the cost element (e.g., participants, participant weeks, etc.)

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BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

Academic
 Technical

**SEE "Instructions: Budget Estimate Worksheet"

PROJECT NUMBER 367-0161	COMMENTS: Third Country Training - All Technical Training
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I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
C. Travel					\$ 23,232
1. International	24	RNDTRP	\$ 968 / P	\$ 23,232	
2. Local	--	--	-- /	--	
3. Other (Mission Option)	--	--	-- /	--	
D. Insurances					456
1. HAC for U.S.	--	--	-- /	--	
2. Required by Institution	--	--	-- /	--	
3. Other (Mission Option) Pre-dept Medical	24	24 parts	19 / P	456	
E. Supplemental Activities					13,440
1. ELT, In-Country	--	--	-- /	--	
2. ELT, U.S.	--	--	-- /	--	
3. Academic Up-Grade	--	--	-- /	--	
4. Reception Services	24	Taxi Fare	97 / P	2,328	
5. WIC Orientation	--	--	-- /	--	
6. Other Orientation	--	--	-- /	--	
7. Interpreters/Escorts		2 escorts	200 / P	2,400	
8. Internship/Cooperative	--	--	-- /	--	
9. Enrichment Programs	--	--	-- /	--	

* Units are standard measures for the complement (e.g., participants, participant weeks, etc.)

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**BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)**

**SEE "Instructions: Budget Estimate Worksheet"

Academic
 Technical

PROJECT TITLE Economic Liberalization Project	PROJECT NUMBER 367-0161	PROJECT YEAR 6 of 7 Years*
PROJECT WRITER	PARTICIPANT MONTHS PROJECTED (THIS YEAR) 12	DATE BUDGET PREPARED

COMMENTS
Third Country Training - All Technical Training * ELP began in FY 1992, but this training plan was developed in Fy 1993 for the PP Amendment

I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
A. Education/Training Cost					\$ 63,888
1. Tuition/Fees	--	--	\$ -- /	\$ --	
2. Training Costs	12	12 parts	5,324 / P	63,888	
3. Package Program Costs	--	--	-- /	--	
4. Other (Mission Option)	--	--	-- /	--	
B. Allowances					28,932
1. Maintenance Advance	12	12 parts	333 / P	3,996	
2. Living/Maintenance	--	--	-- /	--	
3. Per Diem	12	12 parts	/	23,016	
4. Books & Equipment	12	12 parts	80 / P	960	
5. Book Shipment	12	12 parts	80 / P	960	
6. Typing (papers) - Academic Only	--	--	-- /	--	
7. Thesis - Academic Only	--	--	-- /	--	
8. Doctoral Dissertation - Academic	--	--	-- /	--	
9. Professional Membership	--	--	-- /	--	
10. Other (Mission Option)	--	--	-- /	--	

* Units are standard measures for the cost element (e.g., participants, participant weeks, etc.)

BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

Academic
 Technical

**SEE "Instructions: Budget Estimate Worksheet" **

PROJECT NUMBER 367-0161	COMMENTS Third Country Training - All Technical Training
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I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
C. Travel					\$ 12,780
1. International	12	RNDTRP	\$ 1,065 / TRP	\$ 12,780	
2. Local	--	--	-- /	--	
3. Other (Mission Option)	--	--	-- /	--	
D. Insurances					252
1. HAC for U.S.	--	--	-- /	--	
2. Required by Institution	--	--	-- /	--	
3. Other (Mission Option) ^{Pre-dept} Medical	12	12 parts	21 / P	252	
E. Supplemental Activities					6,072
1. ELT, In-Country	--	--	-- /	--	
2. ELT, U.S.	--	--	-- /	--	
3. Academic Up-Grade	--	--	-- /	--	
4. Reception Services	12	12 parts	107 / P	1,284	
5. WIC Orientation	--	--	-- /	--	
6. Other Orientation	--	--	-- /	--	
7. Interpreters/Escorts	--	--	-- /	--	
8. Internship/Cooperative	--	--	-- /	--	
9. Enrichment Programs	--	--	-- /	--	

* Units are standard measures for the component (e.g., participants, participant weeks, etc.)

ATTACHMENT 5A
HB 10, TM 10:108

**BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)**

SEE "Instructions: Budget Estimate Worksheet"

Academic
 Technical

PROJECT TITLE
Economic Liberalization Project

PROJECT NUMBER
367-0161

PROJECT YEAR
7 Of 7 Years *

PROJECT WRITER

PARTICIPANT MONTHS PROJECTED
(THIS YEAR) 12

DATE BUDGET PREPARED

COMMENTS:
Third Country Training - All Technical Training

* ELP began FY 1992, but this training plan was developed in FY 1993 for the PP Amendment

I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
A. Education/Training Cost					\$ 70,272
1. Tuition/Fees	--	--	\$ -- /	\$ --	
2. Training Costs	12	12 parts	5,856 / P	70,272	
3. Package Program Costs	--	--	-- /	--	
4. Other (Mission Option)	--	--	-- /	--	
B. Allowances					31,825
1. Maintenance Advance	12	12 parts	366 / P	4,392	
2. Living/Maintenance	--	--	-- /	--	
3. Per Diem	12	12 parts	/	25,321	
4. Books & Equipment	12	12 parts	88 / P	1,056	
5. Book Shipment	12	12 parts	88 / P	1,056	
6. Typing (papers) - Academic Only	--	--	-- /	--	
7. Thesis - Academic Only	--	--	-- /	--	
8. Doctoral Dissertation - Academic	--	--	-- /	--	
9. Professional Membership	--	--	-- /	--	
10. Other (Mission Option)	--	--	-- /	--	

* Units are standard measures for the cost element (e.g., participants, participant weeks, etc.)

BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

Academic
 Technical

**SEE "Instructions: Budget Estimate Worksheet"

PROJECT NUMBER
367-0161

COMMENTS:
Third Country Training - All Technical Training

I. PARTICIPANT COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	NUMBER OF PARTICIPANTS	NUMBER OF UNITS*	UNIT PRICE*	SUBTOTAL	TOTAL
C. Travel					\$ 14,064
1. International	12	RNDTRP	\$ 1,172 / TRP	\$ 14,064	
2. Local	--	--	-- /	--	
3. Other (Mission Option)	--	--	-- /	--	
D. Insurances					276
1. HAC for U.S.	--	--	-- /	--	
2. Required by Institution	--	--	-- /	--	
3. Other (Mission Option) Pre-dept Medical	12	12 parts	23 / P	276	
E. Supplemental Activities					6,684
1. ELT, In-Country	--	--	-- /	--	
2. ELT, U.S.	--	--	-- /	--	
3. Academic Up-Grade	--	--	-- /	--	
4. Reception Services	12	Taxi Fare	118 / P	1,416	
5. WIC Orientation	--	--	-- /	--	
6. Other Orientation	--	--	-- /	--	
7. Interpreters/Escorts	--	--	-- /	--	
8. Internship/Cooperative	--	--	-- /	--	
9. Enrichment Programs	--	--	-- /	--	

* Units are standard measures for the component (e.g., participants, participant weeks, etc.)

BUDGET ESTIMATE WORKSHEET: Academic or Technical Costs
Training Cost Analysis (TCA)

Academic
 Technical

ATTACHMENT 5A
 HB 10, TM 10:108

PROJECT NUMBER 367-0161

COMMENTS Third Country Training - All Technical Training

II. ADMINISTRATIVE COST

PROGRAM CATEGORIES/TRAINING ACTIVITIES	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL
II.F. Administrative Costs	\$	\$	\$	\$	\$
1. Salaries (Total)					
a. Professional					
i. U.S.					
ii. Field	Administrative costs for the training planned under the project will be				
b. Support Staff	absorbed by the Mission and the Development Training Project (367-0152)				
i. U.S.					
ii. Field					
2. Fringe Benefits					
3. Travel (Total)					
a. International					
b. Local					
4. Consultant Fees (Total)					
a. United States					
b. Field					
5. Equipment					
6. Sub-Contracts					
7. Indirect Costs					
8. Other (Mission Option)					
TOTAL PARTICIPANT COSTS (A+B+C+D+E+F)	\$	\$	\$	\$	\$

REVISED
5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. Host Country Development Efforts (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to:

- (a) increase the flow of international trade;
- (b) foster private initiative and competition;
- (c) encourage development and use of cooperatives, credit unions, and savings and loan associations;
- (d) discourage monopolistic practices;
- (e) improve technical efficiency of industry, agriculture, and commerce; and
- (f) strengthen free labor unions.

Yes, the project specifically addresses these issues.

2. U.S. Private Trade and Investment (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The project will open markets and improve trade through deregulation.

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3. Congressional Notification

a. **General requirement (FY 1993 Appropriations Act Sec. 522; FAA Sec. 634A):** If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the Appropriations Act notification requirement has been waived because of substantial risk to human health or welfare)?

Yes

b. **Notice of new account obligation (FY 1993 Appropriations Act Sec. 514):** If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N/A

c. **Cash transfers and nonproject sector assistance (FY 1993 Appropriations Act Sec. 571(b)(3)):** If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

N/A

4. **Engineering and Financial Plans (FAA Sec. 611(a)):** Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Yes

5. **Legislative Action (FAA Sec. 611(a)(2)):** If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action

N/A

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will be completed in time to permit orderly accomplishment of the purpose of the assistance?

6. **Water Resources** (FAA Sec. 611(b); FY 1993 Appropriations Act Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

N/A

7. **Cash Transfer and Sector Assistance** (FY 1993 Appropriations Act Sec. 571(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

N/A

8. **Capital Assistance** (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A

9. **Multiple Country Objectives** (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

Yes

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10. **U.S. Private Trade** (FAA Sec. 601(b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Open markets and improved trade are major project purposes.

11. **Local Currencies**

a. **Recipient Contributions** (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

The U.S. owns no Nepali rupees. Local entities, i.e., private business parties will assist in funding LC costs.

b. **U.S.-Owned Currency** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No

c. **Separate Account** (FY 1993 Appropriations Act Sec. 571). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

No

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

12. Trade Restrictions

a. **Surplus Commodities (FY 1993 Appropriations Act Sec. 520(a)):** If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? No

b. **Textiles (Lautenberg Amendment) (FY 1993 Appropriations Act Sec. 520(c)):** Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of No

textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

13. **Tropical Forests** (FY 1991 Appropriations Act Sec. 533(c)(3) (as referenced in section 532(d) of the FY 1993 Appropriations Act): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

14. **PVO Assistance**

a. **Auditing and registration** (FY 1993 Appropriations Act Sec. 536): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

Will be applied if a PVO is used.

b. **Funding sources** (FY 1993 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

Will be applied if a PVO is used.

15. **Project Agreement Documentation** (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

Will be done when the ProgAg is signed.

(8)

16. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy):

Yes

Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

17. **Women in Development** (FY 1993 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

Yes

18. **Regional and Multilateral Assistance** (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

No. Close collaboration with WB/IMF/ADB will be kept.

19. **Abortions** (FY 1993 Appropriations Act, Title II, under heading "Population, DA," and Sec. 524):

No

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a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

b. Will any funds be used to lobby for abortion?

No

20. **Cooperatives (FAA Sec. 111):** Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

It is possible some assistance will be given to indigenous credit unions.

21. **U.S.-Owned Foreign Currencies**

a. **Use of currencies (FAA Secs. 612(b), 636(h); FY 1993 Appropriations Act Secs. 507, 509):** Are steps being taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

No Nepali currency is owned.

b. **Release of currencies (FAA Sec. 612(d)):** Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No

22. **Procurement**

a. **Small business (FAA Sec. 602(a)):** Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

Principally IQC's and Buy-ins will be utilized.

b. **U.S. procurement (FAA Sec. 604(a) as amended by section 597 of the FY 1993 Appropriations Act):** Will all procurement be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section?

Yes

c. Marine insurance (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? Yes

d. Non-U.S. agricultural procurement (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) N/A

e. Construction or engineering services (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.) N/A

f. Cargo preference shipping (FAA Sec. 603): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? No

g. Technical assistance (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the Yes

facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes

h. U.S. air carriers Yes
(International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

i. Termination for convenience of U.S. Government Yes
(FY 1993 Appropriations Act Sec. 504): If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

j. Consulting services Yes
(FY 1993 Appropriations Act Sec. 523): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

k. Metric conversion Yes
(Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest

documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

1. Competitive Selection

Yes

Procedures (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

23. Construction

a. Capital project (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used?

N/A

b. Construction contract (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

N/A

c. Large projects, Congressional approval (FAA Sec. 620(k)): If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress?

N/A

24. U.S. Audit Rights (FAA Sec. 301(d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

N/A

25. Communist Assistance (FAA Sec. 620(h)). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

Yes

26. Narcotics

a. Cash reimbursements (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? Yes

b. Assistance to narcotics traffickers (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? Yes

27. Expropriation and Land Reform (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Yes

28. Police and Prisons (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes

29. CIA Activities (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? Yes

30. Motor Vehicles (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? N/A

31. **Military Personnel (FY 1993 Appropriations Act Sec. 503):** Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? Yes
32. **Payment of U.N. Assessments (FY 1993 Appropriations Act Sec. 505):** Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? Yes
33. **Multilateral Organization Lending (FY 1993 Appropriations Act Sec. 506):** Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? Yes
34. **Export of Nuclear Resources (FY 1993 Appropriations Act Sec. 510):** Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? Yes
35. **Repression of Population (FY 1993 Appropriations Act Sec. 511):** Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes
36. **Publicity or Propaganda (FY 1993 Appropriations Act Sec. 516):** Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? Yes

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37. **Marine Insurance** (FY 1993 Appropriations Act Sec. 560): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? Yes

38. **Exchange for Prohibited Act** (FY 1993 Appropriations Act Sec. 565): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law? No

39. **Commitment of Funds** (FAA Sec. 635(h)): Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement? No

40. **Impact on U.S. Jobs** (FY 1993 Appropriations Act, Sec. 599):

(a) Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business? No

(b) Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.? No

(c) Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country?

No

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1. **Agricultural Exports (Bumpers Amendment)** (FY 1993 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

N/A

2. **Tied Aid Credits** (FY 1993 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits?

3. **Appropriate Technology** (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

Yes

4. Indigenous Needs and Resources (FAA Sec. 281(b)): Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

The project is designed to strengthen the business community of Nepal, through improved business operations and a regulatory framework beneficial to the private sector. Assistance will be "demand driven" by the private sector itself.

5. Economic Development (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes

6. Special Development Emphases (FAA Secs. 102(b), 113, 281(a)): Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

- a) Poor and middle class business people are the project's beneficiaries.
- b) Activities are democratic by nature.
- c) This is a self-help, demand driven project.
- d) Women's participation is considered key to project success.
- e) Trade linkages are encouraged.

7. Recipient Country Contribution (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

Waived under original project. Government's contribution will be small.

8. **Benefit to Poor Majority (FAA Sec. 128(b)):** If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

The poor majority will be the indirect beneficiaries in an economy free of monopolies and one in which trade and competition are encouraged.

9. **Abortions (FAA Sec. 104(f); FY 1993 Appropriations Act, Title II, under heading "Population, DA," and Sec. 534):**

a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services?

No

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning?

N/A

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to

No

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methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization?

10. **Contract Awards (FAA Sec. 601(e)):** Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes

11. **Disadvantaged Enterprises (FY 1993 Appropriations Act Sec. 563):** What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

No arbitrary level of funds is being set aside.

12. **Biological Diversity (FAA Sec. 119(g)):** Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

13. Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act):

a. A.I.D. Regulation 16: Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?

Yes

b. Conservation: Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation,

Except where assistance may be directly given to a productive industry a categorical exclusion was granted.

and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

N/A

N/A

c. Forest degradation: Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

No

No

No

No

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d. Sustainable forestry: If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

N/A

e. Environmental impact statements: Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

Yes

14. Energy (FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

N/A

15. Debt-for-Nature Exchange (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A

16. Deobligation/Reobligation (FY 1993 Appropriations Act Sec. 515): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as

N/A

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originally obligated, and have the House and Senate Appropriations Committees been properly notified?

17. Loans

a. Repayment capacity (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest. N/A

b. Long-range plans (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities? Yes

c. Interest rate (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter? N/A

d. Exports to United States (FAA Sec. 620(d)): If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest? N/A

18. Development Objectives (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical

The Nepali Chambers of Commerce are major partners in the project and are engaged in the smaller communities of Nepal.

assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

19. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):

a. Rural poor and small farmers: If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

N/A

b. Nutrition: Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

N/A

c. Food security: Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the

N/A

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poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

20. **Population and Health (FAA Secs. 104(b) and (c)):** If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

N/A

21. **Education and Human Resources Development (FAA Sec. 105):** If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

N/A

22. **Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106):** If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of

Project is directly aimed at business skill strengthening and competitive market development. Targeted are policy reform which should assist decentralization and encourage the role of NGO's.

research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

See above

c. research into, and evaluation of, economic development processes and techniques;

See above

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

N/A

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

N/A

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

This is one of the project's targets.

23. **Capital Projects (Jobs Through Export Act of 1992, Secs. 303 and 306(d)):** If assistance is being provided for a capital project, is the project developmentally sound and will the project measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level?

N/A

C. **CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY**

1. **Economic and Political Stability (FAA Sec. 531(a)):** Will this assistance promote economic and political stability?

N/A

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To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

2. **Military Purposes** (FAA Sec. 531(e)): Will this assistance be used for military or paramilitary purposes? N/A

3. **Commodity Grants/Separate Accounts** (FAA Sec. 609): If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1993, this provision is superseded by the separate account requirements of FY 1993 Appropriations Act Sec. 571(a), see Sec. 571(a)(5).) N/A

4. **Generation and Use of Local Currencies** (FAA Sec. 531(d)): Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1993, this provision is superseded by the separate account requirements of FY 1993 Appropriations Act Sec. 571(a), see Sec. 571(a)(5).) N/A

5. **Cash Transfer Requirements** (FY 1993 Appropriations Act, Title II, under heading "Economic Support Fund," and Sec. 571(b)). If assistance is in the form of a cash transfer: N/A

a. **Separate account:** Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds? N/A

b. **Local currencies:** Will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has A.I.D. entered into an agreement with that government setting forth the amount of the local currencies to be generated, the terms and N/A



conditions under which they are to be used, and the responsibilities of A.I.D. and that government to monitor and account for deposits and disbursements?

c. **U.S. Government use of local currencies:** Will all such local currencies also be made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, or to carry out development assistance (including DFA) or ESF purposes?

N/A

d. **Congressional notice:** Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance?

N/A

6. **Capital Projects (Jobs Through Exports Act of 1992, Sec. 306, FY 1993 Appropriations Act, Sec. 595):** If assistance is being provided for a capital project, will the project be developmentally-sound and sustainable, i.e., one that is (a) environmentally sustainable, (b) within the financial capacity of the government or recipient to maintain from its own resources, and (c) responsive to a significant development priority initiated by the country to which assistance is being provided. (Please note the definition of "capital project" contained in section 595 of the FY 1993 Appropriations Act.)

N/A