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Final Report

NEPAL Private Sector Training: Needs Assessment and Strategy

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PREFACE

This Private Sector Training Needs Assessment and Strategy was carried out as a joint effort between USAID/Nepal and the Office of Women in Development (WID) in AID/Washington. Funding for the study was made available through a USAID/Nepal buy-in to the world-wide GENESYS project, with matching funds from the AID's office of Women in Development.

Field research for the study was carried out between May 22 and June 24 by a three-person team from Development Alternatives, Inc. (DAI). This team consisted of DAI staff members John Magill (team leader), Mohini Malhotra (private sector/gender specialist), and Jim Packard-Winkler (private sector specialist). They were assisted by two DAI consultants -- Shyam Bhurtel (private sector specialist) and Bimal Wagle (training specialist) -- who assisted in interviewing local businesses and organizations over a two-week period, and contributed valuable insights into the nature and characteristics of the Nepali business sector.

The team wishes to express its appreciation to Kelly Kammerer, Mission Director, and Theodora Wood-Stervinou, Deputy Director, for their support and guidance during the field work. Timm Harris, Neal Cohen, Mike Calavan, Sher Plunkett, Alex Dickey, and Ursula Nadolny, from the USAID/Nepal Mission, provided valuable information on the private sector, and invaluable insights and comments on preliminary conclusions and recommendations. Jenna Luche of the WID office made valuable contributions both to the original scope of the work and to the team's efforts in the field. The persons interviewed for this study were unselfish contributors to the team's understanding of the Nepali private sector environment.

The conclusions and recommendations contained in this report, however, are those of the authors, and should not be interpreted as representing the position of USAID/NEPAL, the Office of Women in Development, or the individuals who were so generous with their time and assistance.

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Executive Summary

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

A. Major Findings and Conclusions

Nepal is undergoing rapid economic and social change, as economic liberalization in both Nepal and India is opening new opportunities for growth in a dynamic private sector and removing protective barriers for firms that have long enjoyed the luxury of operating in an environment with little effective competition. For the first time in recent history the Government of Nepal (GON, or HMG/N) is actively promoting privatization and the growth of the private sector.

From the perspective of a modern, western, market-oriented economic system, there is a widespread need for skill development in the private sector. The private sector in Nepal is small, and characterized by relatively small firms operating in a limited local market. Most of the firms are family-owned, with little or no professional management, and factors other than profit or sales maximization influence firm behavior. Very few firms in the private sector could be classified as dynamic, modern-oriented firms, and there is little understanding of how to operate in a market economy.

Numerous training needs assessments have been carried out in Nepal during the past five years. There is a remarkable consistency in the findings of the various studies that have looked at professional and management needs. All of these have pointed to the weak managerial environment in most private firms. All have noticed a weakness in professional administrative skills, such as accounting, financial management, personnel management, and marketing. And all have commented on the weakness in basic supervisory functions.

This private sector training needs assessment arrived at similar conclusions: the major skills that need to be developed for the Nepal private sector to begin to function as a westernized market-oriented sector fall into three broad areas:

- **Executive or Strategic Management -- skills in market positioning, strategic planning, design and marketing;**

- Professional and Operational Management -- skills in financial planning and management, accounting, product design, quality control, plant management, administration, systems, and procedures;
- Technical and Craftsmen Skills -- especially skills in mechanics, engineering, maintenance and production.

There are, however, major constraints to developing the skills needed to forge a dynamic, market-oriented private sector. Perhaps the most important constraint is that the business culture in Nepal does not value training and is incapable of making effective use of trained personnel. A feudalistic and hierarchical tradition exists within firms, which prevents delegation of authority and responsibility among employees. Therefore, few firms have the ability and motivation to incorporate and use trained employees effectively. Training is not viewed by company owners and managers as an investment in human capital to increase productivity and efficiency.

Skill development will only be valued by owners when they are forced to become more efficient and competitive by factors that are outside of the realm of training: (a) economic liberalization and privatization, which will require new market-oriented abilities; and (b) economic liberalization in India, which will remove some of Nepal's traditional competitive advantages. Until the need for improved manpower is internalized by the firms, training, *per se*, will have little impact.

Women are under-represented in management positions in Nepalese firms, but this under-representation is not something that will be overcome solely by training. The lack of women in decision-making or visible positions in the private sector can be attributed to two principal factors: (a) lack of a qualified pool of women who could fill these positions; and (b) socio-cultural stereotypes preventing women from receiving the qualifications, or from occupying these positions despite their qualifications. As later entrants into the formal job market, professional opportunities for women are further constrained by the lack of positions available. Women's limited access to education and new skills vis-a-vis men's, coupled with socio-cultural attitudes relegates them to low skill jobs.

Another constraint to meeting the skills development requirements of the Nepalese private sector is that there are very few professional trainers or existing institutions that provide quality training services. Existing training institutions generally lack the ability to provide training required. Training programs are too theoretical and not very practical, and are poorly regarded by the potential client base. Consulting firms have begun to offer training alternatives, but are supply- rather than demand-driven, and lack the breadth of technical expertise in training methodologies and subjects to meet the local need.

More than anything else, USAID/Nepal needs to be aware that the human resource constraint for the private sector in Nepal is neither a question of numbers nor a question of supplying missing skills. It is pointless to say, for example, that "this country has a small number of MBAs; therefore more MBAs should be trained" and expect that to result in significant improvements in the private sector. The various teams that have studied this question in recent years have consistently concluded that the fundamental problem, in both the private and public sectors, is not the lack of trained personnel but the absence of an ability to use trained personnel. The industrial sector study conducted by Maxwell Stamp PLC, for example, concluded that:

While management training through universities and specialized programs is useful, it is not a substitute for a commercial environment that fosters the development of managerial talent through experience.¹

Michael and Stelle Feuers, in their oral briefing to the USAID/Nepal Mission,² pointed out that there is a fundamental difference between training and development: training is the transfer of knowledge or skills from a trainer to an individual or group, while development is the incorporation and application of that knowledge by the individual or group.

The survey conducted for this study reached similar conclusions. The owners and managers of these companies said that none of the vocational technical schools or training courses offered in Nepal (with very few exceptions) provide knowledge and skills that can be readily applied in the business environment. Training was too theoretical and not transferable from the classroom to the firm.

Putting on training courses is relatively easy, but applying the skills learned requires a business culture that encourages, values, uses and rewards the changes introduced by the training. Without that business culture, training is wasted, and it is precisely the absence of this business culture that is the main constraint to private sector development in Nepal. Training, in and of itself, will have little impact on upgrading the performance of the private sector.

It is equally important to recognize that training is not the answer for many problems in the private sector. For training to take hold, other interventions (such as policy changes, attitude changes, infrastructure or others) may be necessary. Educating pharmacists on drugs and drug quality, for example, will not have an impact on drug practices in the absence of an effective government program of monitoring, supervision and enforcement.

The institutional environment for addressing the training needs in Nepal is not particularly encouraging. None of the formal education institutions or programs in the country has the ability to provide quality training programs that could begin to address these needs. USAID/Nepal is exploring the possibility of strengthening one or more of these institutions. Recently, a number of quasi-private consulting firms have begun to run training programs. The more successful of these have qualified personnel, and are capable of providing quality training in certain areas. Their principle weaknesses lie in the fact that they are small, and tend to specialize in process- rather than content-oriented training. Their small size limits their capacity to handle large volumes of trainees. As spin-offs from other training institutions or programs, they specialize in the same techniques as their predecessors, which represents a narrow range of training methodologies available. Thus, they lack the breadth of technical expertise in training methodologies and subjects required to address the range of training needs identified. Furthermore, they tend to respond to donor initiatives or other funding targets of opportunity, and are supply- rather than demand-driven.

On the basis of this examination of local training capabilities, the institutions with the greatest potential for implementing portions of USAID/Nepal's private sector training program are the Nepal Administrative Staff College (NASC), the Human Resource Development Centre (HURDEC), and the Management Training & Research Centre (MTRC). For training women, the Women Entrepreneurs

¹*Op. cit.*, p. 161.

²June 19, 1992.

Association of Nepal (WEAN) and Professional and Business Women's Association (PBWA) seem to have the greatest potential. These institutions have demonstrated an ability to broker training, and to find persons and institutions qualified to provide the training. On a more speculative note, the yet-to-be-developed Kathmandu University and a possibly revitalized Centre for Economic Development and Administration (CEDA) might have roles to play in carrying out private sector training programs.

USAID/Nepal must recognize, however, that the administrative and absorptive capacity of these institutions is very limited. They do not currently have, and are unlikely in the near to medium future to have, the capacity to implement training activities in the magnitude contemplated by USAID/Nepal's proposed obligation schedule. Furthermore, as the only qualified training institutions in the country, they are in demand to implement consulting and training programs for other international donors as well. The absence of a sufficient pool of trainers and institutions is a major limitation that USAID/Nepal needs to consider in planning its private sector training

B. Recommendations

Considering the needs, resources and constraints, the assessment team recommends that USAID/Nepal allocate its private sector training resources during the next five years to achieve four objectives that are complementary and mutually reinforcing:

- **Emphasize project-oriented training.** Provide most training within the context of a project, with limited flexible resources to respond to targets of opportunity or further non-project objectives. Approximately 40 percent of the DTP's private sector training funds should be directly integrated with active USAID/Nepal project objectives.
- **Stimulate local demand for training.** Contract with one or more local training/consulting firms to work with industry sub-sectors to identify and articulate training needs, to build a "demand" for quality training services, and to plan and "broker" training services. As much as 30 percent of the funds of the DTP should be directed toward working with associations to stimulate demand for training programs that meet the needs of a targeted group of firms, managers and entrepreneurs.
- **Build a local training capability.** Provide limited funding to support development of quality local training services in established educational or training institutes. Up to 20 percent of the total funds available for private sector training should build a local training capability.
- **Respond to targets of opportunity and reduce supply-driven training.** Nepal has already experienced too much training financed by international donors that can not be easily integrated into the business environment. A small portion of the DTP's private sector training budget should have sufficient flexibility to respond to actual requests from the private sector for training and targets of opportunity that fall within the broad Mission objectives, and which meet the training guidelines and quality standards required. Initially, no more than 10 percent of training funds for the private sector should be made available for unsolicited training requests from the private sector. As increasing levels of demand for training become evident,

the DTP should be reprogrammed to allow a balanced supply of training in response to new demand.

The Mission has the flexibility to adjust levels of funding for each of these four objectives depending on the emphasis desired, the outcome of pilot projects, marketing initiatives, and delivery of quality training, and evidence of real demand for training from the private sector over the life of the project.

Furthermore, USAID/Nepal should attempt to focus and concentrate its training activities on two cross-cutting themes, leverage and gender.

Leverage Training Interventions

Leverage means that benefits will go beyond the one-on-one training typical of participant training programs to promote a multiplier effect. Leverage will allow rather limited training resources to have broader impact in solving the vast human resource development needs of the private sector. Training interventions that would expand benefits beyond the immediate target groups would include: target managers as key beneficiaries; promote the benefits of training; adapt successful training modules to various sectors and regions; charge a fee for training services; and target subsector level interventions.

The DTP should place extra emphasis on training high level managers, especially in export-oriented or high growth potential industries. This is essential to develop a demand for qualified employees and to create a business environment that rewards and utilizes trained human resources.

Integrate Gender Considerations

The private sector is unlikely to request training in gender issues in the near future, and none of the institutions identified as potential suppliers of training have particular skills or capabilities in providing gender-oriented training. Consequently, the Development Training Program needs to be pro-active rather than demand-driven when addressing gender considerations. Gender issues need to be integrated into the overall training effort and strategy. In this respect, training can be a tool for attitudinal change -- to chip away at traditional feudal management styles and reduce gender biases prevalent in Nepal.

To achieve the Mission's goal for women to comprise a minimum of 35 percent of trainees, the DTP should take proactive measures to include this highly productive part of the work force. Proactive measures to stimulate demand-driven training for women include: train trainers in gender sensitivity; use gender-sensitive training materials; award contracts on the basis of approach to integrating gender considerations; select prominent businesswomen to participate in training as instructors/speakers; target training to sectors with high female participation rates and to non-traditional sectors; conduct some training sessions only for women; work with women's associations; and schedule training sessions appropriately.

C. Managing the Training Program

It will be difficult for USAID to design, implement and manage a training program that addresses these issues effectively. The proposed program is very large, especially when the possibility of local financing is considered. The \$6.4 million targeted for private sector training could fund an estimated 107 M.A. degree programs in the U.S. (22 per year), or 257 M.A. programs in regional training institutions (51 per year). If, on the other hand, all of the funds were devoted to local training courses, the \$6.4 million could fund 1,300 two-week training courses using local trainers and facilities (260 courses per year, or an average of five new courses per week), or about 300 two-week training using external training resources (60 courses per year).

Operating such a large, demand-driven training program will require a proactive management style and extensive oversight. Identifying needs, planning training programs, and implementing a massive local training activity is labor intensive. The major impediments to the proposed USAID/Nepal private sector training strategy are (1) the absence of staff resources within USAID/Nepal to manage such an ambitious program, and (2) the paucity of local institutions to carry it out.

USAID/Nepal should consider three management options:

- **Expanding internal mission management capability.** Contracting management of the DTP itself to a PSC or US-based contracting firm will allow the Mission to coordinate the DTP and its interaction with training components of individual projects. Internal management will be instrumental to avoid duplication of activities and to avoid overburdening the few training organizations that have limited training capability.
- **Contracting for local management of DTP activities.** USAID/Nepal could issue an "IQC" or "buy-in" type contract with one or more local consulting or training institutions that have the capability of managing and delivering quality training services.
- **Contracting with a U.S. firm or organization.** A U.S. firm could provide three important contributions to achieve the objectives of the DTP: manage the participant training component of DTP in the U.S. and regional training institutes; support the local management firm by providing "brokering" services that match demand for training with the appropriate supply of technical trainers; and provide technical support to improve the local training capability of selected training providers.

Chapter 1

INTRODUCTION

Numerous training needs assessments have been carried out in Nepal during the past several years. The United Nations Development Programme (UNDP) and International Labour Organization (ILO) sponsored a training needs assessment of three separate areas of Nepal that were served by Regional Labour Centres in 1987¹, and a similar study of the Kathmandu Valley in 1988.² Both of these studies concentrated on vocational skills development. USAID/Nepal contracted a major private sector training needs assessment in 1987³, and a general education and training needs assessment in 1988.⁴ A private Nepali institution prepared an assessment of private business skill needs in 1992.⁵ One other related study is currently underway⁶, and the ILO is planning to undertake a similar effort in preparation for a proposed new project.

The present needs assessment is the result of a decision in USAID/Nepal to redirect the efforts of its Development Training Project (DTP). This project, which was initiated in 1986, had provided a flexible, but unfocused, mechanism for participant and in-country training. Between 1986 and early 1992, 74 persons participated in long-term training programs and 817 in short-term programs outside of Nepal. Most participants (76 percent) were from the public sector, and most (75 percent) were men. Local in-country training carried out by the project had been exclusively for private sector participants.⁷

¹Larhed, Tommie. *Employment, Manpower and Training Needs in the Areas Served by the Three Labour Supply Centres in Hetauda, Butwal and Itaha*. Kathmandu: UNDP, May 1988.

²Development Communication and Research Consulting Group (DECORE). *Training Needs Assessment Study in Kathmandu Valley, Nepal*. Prepared for HMG/ILO/UNDP Basic Vocational Training Project (NEP/84/039). Kathmandu: DECORE, May 1989.

³Zivetz, Laurie (Project Director). *Training for the Private Sector: the Demand and the Supply*. Draft Report. Kathmandu: Management Support Services (P) Ltd., June 1987.

⁴Improving the Efficiency of Educational Systems (IEES). *Nepal: Education and Human Resources Sector Assessment*. Tallahassee: IEES, May 1988.

⁵Integrated Developers and Managers Associates (P) Ltd. *Report on Business Skill Need Assessment of Private Sector in Nepal*. Kathmandu, May 1992.

⁶USAID/Nepal's Private Sector Office has a two-person team examining private sector training needs and capacities as part of a program to develop a business school curriculum for a proposed new university.

⁷USAID/Nepal, *Amendment to Nepal Development Training (DT) Project*, April 1992, p. 1.

Replanning activities in the Mission in late 1991 and early 1992 resulted in a decision to concentrate efforts on three major objectives:⁸

- increased private sector contribution to income growth;
- reduced infant and child mortality and undesired fertility; and
- increased pluralism and democratic values and processes.

The Development Training Project was modified to ". . . concentrate all new training activities in those areas which enhance accomplishment of these objectives."⁹ In particular, the 1992 DTP project amendment¹⁰ provided additional funds to extend the life of the DTP until 1999, allocated 50 percent of the resources to training for the private sector, and continued the Missions minimum quota of 35 percent of the funds earmarked for women participants. The amendment also recognized that specific training priorities would need to be established.

The present "Private Sector Training Needs Assessment" was undertaken to help the Mission establish priorities and develop a long-term training strategy for its private sector training activities. This assessment was co-funded by A.I.D.'s Office of Women in Development, to ensure that gender issues with regard to private sector training would be integrated into the overall assessment. According to the "Terms of Reference" for the assessment, the study team was to provide:

- A general overview of private sector human resource skill requirements for rural and urban commercial enterprises, health care delivery systems, basic economic liberalization, and agroenterprise operations;
- Recommendations on adjustments required for USAID/Nepal's Development Training Project;
- An analysis of the current available training institutions and their ability to provide training in the Mission's focus areas; and
- A preliminary Mission five year country training plan.

In discussions with the Mission it was decided that the team should present the Mission with recommendations on a general training strategy rather than prepare a five-year training program. In addition, the Mission requested the team to concentrate on local training resources and capabilities, and reduce emphasis on both U.S. and regional training programs. Because the training components of the Mission's on-going projects have already been earmarked, this assessment focuses primarily on the role of the DTP, and its relation to other Mission and international donor agency activities in private sector training.

⁸*Ibid.*, p. 4.

⁹*Ibid.*

¹⁰At the time of this study the amendment had not been reviewed and approved by the Government of Nepal.

Chapter 2

BACKGROUND: THE PRIVATE SECTOR ENVIRONMENT

A. Enterprise Sector Profile and Characteristics

Nepal is an agricultural country. Nearly 90 percent of the population is engaged in agriculture, which generates nearly 60 percent of GNP.¹

Lying on major trade routes between China and India, and taking advantage of major market distortions in both of those countries, Nepal evolved a "private sector" that has been dominated by traders. Today the private sector is still predominantly involved in trade, with a thin industrial or productive base. Less than 12 percent of GDP was estimated to come from the private sector activities of manufacturing, trade and private services, and even some of that represents public-sector activities.²

Two relatively recent political events have spurred growth in certain industries. Chinese repression in Tibet led to a major immigration of Tibetan refugees, who brought with them the basis for a carpet industry. Similarly, U.S. quotas on Indian-manufactured

Estimated 1990/91 GDP, by Source (GDP at Factor Cost)		
	Rupees (millions)	Per Cent
Agriculture, Fisheries and Forestry	56,012	59.7
Mining and Quarrying	100	.1
Manufacturing		
Modern	4,511	4.8
Cottage	919	1.0
Electricity, Gas and Water	821	.9
Construction	6,837	7.3
Trade, Restaurants and Hotels		
Trade	3,573	3.8
Cottage	854	.9
Transport, Communications and Storage	4,364	4.7
Financial and Real Estate	7,986	8.5
Community and Social Services		
Public	6,566	7.0
Extra Territorial	88	.1
Private Services	1,158	1.2
Total	93,769	100.0

¹*Approach to the Eighth Plan*, pp. 2-3.

²*Economic Survey*, Table 1.2, page 2. See also the Small Business Promotion Project, *Briefing Kit*, page 1.

garments resulted in the relocation of numerous Indian-owned garment factories in Nepal, and the birth of a Nepalese garment industry.

Although statistics on the number, size, distribution, ownership, assets and employment in private sector firms are generally unavailable and unreliable, they do indicate the shallow industrial base in the country. According to the Ministry of Finance, there are 1,138 registered industries, and 1,112 registered cottage and small-scale industries in the country, most of which are sole proprietorships or private companies.³

	<u>Medium/ Large Industries</u>	<u>Cottage/ Small Industries</u>
Private	626	946
Private Limited	440	43
Partnerships	67	123
Public Limited	5	-
	<u>1,138</u>	<u>1,112</u>

The private sector is heavily concentrated in real estate and trade. There are very few private sector industrial enterprises, as this sector is predominantly in the hands of government. Those industrial enterprises that do exist in the private sector are closely held family-owned businesses that are grouped together in mini-conglomerates. Although the industrial sector has grown at a faster rate than the economy as a whole, the sector lacks dynamism and many enterprises have flourished only because of protectionist policies.

The "enterprise sector" in Nepal consists, therefore, of a relatively few number of private and public firms, including:

- 67 Government-owned enterprises, many of which are scheduled for privatization;
- A number of business groups of diversified industries run by members of a single extended family (examples of these are Chainwala Group, Kagilwala Group, Amatya Enterprises, Chaudhary Group, Dugar Group, and others);
- A very few joint ventures or modern stock-owned companies;
- A relatively large number of independent, individually-owned and operated, private firms engaged in cottage industry production and sales; and
- The informal sector.

Most of the private sector firms are located in the Kathmandu Valley or in the Terai -- a narrow, lowland area bordering India.

³*Economic Survey*, Tables 3.4 and 3.6, pages 14 and 16.

Income and Labor Statistics

The labor force is predominantly agricultural, as 90 percent of the population is engaged in agriculture. The GON estimates that the industrial sector, including cottage industries, accounts for less than 10 percent of GDP and provides jobs for only about two percent of the labor force.⁴ According to the Small Business Promotion Project, cottage and small industries, including the informal sector, comprise 95 percent of the industrial units, provide 85 percent of the employment opportunities, produce 66 percent of exports, contribute about one-third of industrial value added, and make up 7.5 percent of GDP.⁵

Income per capita has increased little in real terms during the past 25 years, with the result that Nepal is ranked as one of the least developed countries in the world. Between 8 and 9 million people (40 to 50 percent of the population) is judged to be below the poverty line, and deprived of the basic minimum needs for human living.⁶

Export Earnings and Contribution to GNP

Trade statistics are distorted by two factors. First, much of the historical trade between Nepal and its two neighbors consists of contraband. Second, the 1989-1991 dispute between India and Nepal led to an economic blockade on Nepal that reduced exports to India by as much as 80 percent for the 1989 to 1991 period. For the 1987 to 1988 period, the last year before the trade embargo, 34 percent of Nepal's legal exports were to India. Almost all of this was in the form of agricultural commodities and products. Nepal's largest single exports are in carpets, readymade garments, hides and skins, and handicrafts.⁷

EXPORTS FROM NEPAL 1987-1988 (in millions of Rupees)		
Category	To India	To Other Countries
Agricultural Products	1,299.5	66.4
Carpets	-	1,223.7
Readymade Garments	-	916.6
Hides & Skins	-	165.4
Handicrafts	-	53.8
Miscellaneous	-	120.8
Total	1,299.5	2,546.7

⁴Approach to the Eighth Plan, p. 3.

⁵Briefing Kit, page 2.

⁶Ibid., p. 2.

⁷Economic Survey, pp. 40-41

Importance of Liberalization and Privatization

Two major factors will have an important role in shaping the future of the private sector in Nepal. The first of these is economic liberalization in India. The removal of many restrictions in India should remove much of the advantage that currently exists for locating firms in Nepal. In particular, liberalization in India can be expected to reduce much of the demand for goods that are currently smuggled into India from Nepal. The second major factor is economic liberalization in Nepal. The change in the rupee to full convertibility, coupled with an ambitious program to privatize major government-owned industries, reduce protectionist trade policies and promote a market-driven private sector will force fundamental changes in the composition and operations of private sector firms.

B. Major Constraints to Private Sector Development

The constraints to private sector development have been well described in several reports, and are merely summarized here.⁸ Among the major constraints are:

- A general scarcity of capable managers;
- The small scale of most enterprises;
- The absence of a commercial culture that fosters and rewards performance;
- A general scarcity of technically skilled labor;
- Limited access to raw materials;
- Low levels of technology; and
- Limited markets.

Human Resources

Private sector growth and expansion in Nepal faces major human resource constraints. The industrial sector in Nepal is characterized by a general scarcity of both managerial and technical personnel.⁹

⁸See especially, Maxwell Stamp, PLC. *Second Industrial Sector Study, Nepal*. Draft Final Report. Prepared for the Asian Development Bank on behalf of the Ministry of Industry of His Majesty's Government of Nepal. Kathmandu, August 1990.

⁹Maxwell Stamp PLC, *Second Industrial Sector Study, Nepal*, pp. 161-163.

Management skills in the areas of market analysis, product planning and development, inventory control, financial management, quality control and other areas of management responsibility are weak.

The general shortage of technically skilled manpower is generally considered to be the major impediment to the expansion of modern private enterprises in the country.¹⁰ This shortage is increasing competition among employers, with the result that (a) wages are increasing, and (b) employers are less assured of being able to retain workers. Increasing wages will have a profound impact on traditional firms that are either unwilling or unable to meet rising wage requirements. The inability to retain workers undermines the incentives for individual firms to train their employees because they cannot be assured of retaining the full benefit of that investment.

C. Development Priorities

Both the Government of Nepal and USAID/Nepal place a high priority on private sector development.

GON Development Priorities and Objectives

The Eighth National Development Plan places a high priority on stimulating private sector development:

The Government is committed to adopting a liberal, private-sector oriented industrial investment policy. It will give higher priority to those industries whose value added to the economy is high, those which enhance exports, and those which meet domestic needs for essential commodities and construction materials.¹¹

The government's role in promoting the private sector will be through policy reform, privatization of public-owned enterprises, liberalization of the economy, reduction in trade barriers, investment promotion and simplification of procedures.¹² The plan recognizes that improved education is important for ". . . enhancing the capabilities of people . . . as producers", and provides for technical and vocational training.

¹⁰*Ibid.*, p. 163.

¹¹*Approach to the Eighth Plan*, p. 36

¹²*Ibid.*, pp. 36-38.

USAID/Nepal Priorities

In early 1992 USAID/Nepal engaged in an exercise¹³ designed to focus and concentrate its activities on a limited number of achievable objectives. As a result of this activity, USAID/Nepal's program is now focused on three major strategic areas:

- **Increased Private Sector Contribution to Income Growth.** Strong government control over fundamental aspects of the economy has been recognized as a major constraint to economic growth. As a result, promoting a market-based economy in Nepal should help reduce poverty levels and increase income growth.
- **Increased Use of Family Planning, Child Survival and Malaria Control Services.** USAID/Nepal's activities in this area seek to expand the delivery of family planning and health services through private means, both NGO and commercial, and through an integrated program for the delivery of child survival services.
- **Increased Pluralism and Well-Established Democratic Values and Processes.** USAID/Nepal's activities in this area are designed to strengthen the parliament, judiciary, NGOs and local government.

As a consequence of this priority-setting exercise USAID/Nepal is attempting to concentrate its training efforts in support of these objectives.

Summary

Private sector development is a high priority for both the GON and USAID/Nepal. As the GON's development plan does not allocate major resources to management and professional skills development, USAID/Nepal activities in these areas would fill a critical need in the sector.

¹³Program Performance Information System for Strategic Management, or PRISM. A four-person team assisted the Mission in refining program objectives and selecting suitable indicators to measure progress toward achieving those objectives.

Chapter 3

MAJOR HUMAN RESOURCE PROBLEMS AND NEEDS: ISSUES FOR PRIVATE SECTOR TRAINING IN NEPAL

This chapter summarizes the broad private sector training issues identified through individual interviews and firm-level surveys conducted by team members during the field portion of this study. Interviews were conducted with representatives of the international donor community, government officials, officers of trade associations and chambers of commerce, owners of small firms, consulting and training institutions, and other professionals who have participated in private sector training needs assessments in the country during the past few years.¹ Sectors covered in the surveys included finance, private health care, food processing, and tourism; industrial sectors including carpets, garments, textiles, leather goods, and handicrafts; and private user groups.² The interviews and survey had two purposes: 1) to identify constraints faced by firms in each sector; and 2) to identify those constraints which could be addressed by training.

A. Sector-Specific Requirements

1. Financial Sector

The Nepalese financial system is undergoing rapid changes. Prior to 1984, the banking sector consisted of the national bank (Rastra Bank) and a limited number of state-owned banks. These were outmoded, outdated, and insolvent.

¹A complete list of persons contacted appears in Appendix B.

² The selection of these sectors was based on their importance in terms of contribution to GDP and export earnings, as well as their growth potential. These sectors were also considered a representative sample of major sub-sectors in Nepal.

In 1984, the GON initiated joint venture agreements with international banking concerns to bring modern banking practices and management to Nepal. Today, three commercial banks, Nabil Bank, Nepal IndoSuez Bank, and Grindlays Bank³, operate in Nepal and represent approximately one-third of the financial sector. The government-owned banking institutions, including Nepal Industrial Development Corporation and Rastriya Banijya Bank, continue to have major operational problems.

Characteristics of Selected Banks

Nabil Bank, which was established in 1984, represents the first joint venture bank in Nepal. The Emirates Bank of Dubai owns 50 percent, HMG 20 percent, with public holdings of 30 percent. The newly structured Nabil Bank built its human resources from scratch by bringing in 8 expatriate professional bankers specialized in training, marketing, computers, treasury, and general banking practices. The bank started with 8 Nepalis from the educated, upper middle class, training them according to international standards. The internal restructuring and training carried out by banking professionals with international experience created an entirely new bank culture compared to the previous setup. Today, Nabil Bank has 310 staff nationwide. Only 2 expatriate staff remain at the bank, hired through contracts directly with the Emirates Bank of Dubai. The managing director of the bank has 46 years of experience, 39 with the Indian state bank.

Similarly, the IndoSuez bank is a foreign joint-venture bank with 50 percent French capital, 30 percent ownership by a Nepalese bank and insurance company, and 20 percent private shareholder capital. Fifteen of the 60 employees are women, two of whom are being trained to become bank officers. Because the bank has a small staff, and banking is a prestigious occupation, it attracts qualified job applicants.

The Nepal Bank is one of the largest banks in the country, with 232 branches serving 67 of the country's 75 districts. At the time of this assessment it had total assets of R.16.7 billion (approximately US\$355 million), compared to total assets of R.28 billion (US\$596 million) in the entire banking system. It was originally a state-owned bank that is gradually being privatized, with 51 percent of the stock owned by the government and 49 percent by private individuals and corporations. It has a total staff of 7601, of which 1277 (17 percent) are women, and 73 of the 672 staff members classified as "officers" (11 percent) are women. The Nepal Bank is a full retail bank offering all personal account services except credit cards (checking, savings, time deposits and certificates). Its commercial services are oriented toward trading.

The Nepal Bank exemplifies the problems of training in Nepal's indigenous quasi-private sector. The bank has no written job descriptions, no plan for using training to meet manpower needs, no specific jobs to be fulfilled or skills to be developed by any training, and no expectations from the training provided to employees. The bank maintains no records or information on who has been sent out for training or what the subject matter was. Most external training is funded by outside scholarships but, since it is free, the bank develops no plans on how to use that person when they come back. One worker had been trained at Oxford on a British Council fellowship; two years later he still had not been promoted, and the bank made no attempt to make use of what he had learned. Consistent with this, the bank has no policy for promoting or rewarding workers who have been trained. As the

³Which is a subsidiary of the Nepal Bank.

personnel manager stated, "Since training is already a benefit for the employee, why should the bank promote or increase the pay of someone who has received training?"

The efficient, professional operation of the joint venture banks is easily discernable when compared to the government-owned banks. Salaries are at least three times higher than government banks, with generous annual increases of 15 to 20 percent. Professionalism begins at the top management levels with internationally qualified managers, and filters all the way down to bank tellers. The professional environment of the joint venture banks includes on-going internal training programs for existing staff, two-year training programs for new employees, and frequent opportunities for training at external institutions in Bangkok, India, England, and at the Bankers Association of Nepal. Training is clearly viewed as a means to increase efficiency and professionalism.

Major Problems Facing Financial Institutions

Local banks are faced with a large percentage of non-collectable loans, weak portfolio management skills, and undeveloped branch management, personnel management and financial management capabilities. This is exacerbated by a number of government regulations that restrict bank operations and growth potential, including:

- Government reserve requirements on deposits have increased, decreasing the funds available, raising the cost of capital, and increasing liquidity;
- Government policy restricts the size of loans to a maximum of 25 percent of bank's net worth and limits loans to only 6 to 7 years, restricting the ability to provide long term investment financing; and
- Limited deposits and capital formation does not keep up with lending growth.

The local banks perceive a highly competitive financial system, in which they are at a decided disadvantage to the joint venture banks. The banking sector is changing very fast; liberalization is moving fast; foreign banks capturing the good clients -- those with the largest loans, largest savings accounts; and finance companies will be in the country soon. As a result, the local banks perceive a strong need to improve operations and become more competitive.

Major Training Needs

Bank managers identified a number of key areas in which banks need to improve operations, and for which training is required, including:

- Top management needs to develop strategic planning skills, including skills in competition and how to deal with it; positioning, and segmenting the target client groups; and pricing.
- Professionals within the banks need to improve financial management and credit skills, including money market transactions, capital markets, managing foreign exchange convertibility, credit card processing, letters of credit, and operating the "SWIFT" system.

- Among bank employees in general there is a need for improved computer skills and applications to further automate bank operations.

Training Facilities

In most of the banks, training for regular staff is provided in-house. Lower level employees of the local banks learn the jobs they perform "on-site," from fellow workers and supervisors. In the case of the Nepal bank, the training center does not have a training staff; individual managers are asked to give talks on specific subjects. Other staff members are sent to training courses offered by the Central Bank (Rastra Bank). Other training occurs through the Nepal Bank's correspondent banks (Standard Charter and Grindlays). These banks do not charge for the actual training, but do charge for food and lodging.

The international banks generally have a more formal training program: new employees are rotated among departments to learn the various aspects of bank operations. In the case of the IndoSuez bank this consisted of a one-year training program from all new employees. The IndoSuez Bank also has a training center in England where they train approximately five senior staff members each year.

USAID/Nepal, in cooperation with other donor agencies, is involved in a major effort to provide assistance to selected local banks (Nepal Bank and Rastriya Banijya Bank) through the consulting firm of Booz-Allan Hamilton.

2. Private Health Care Sector⁴

Health standards in Nepal are among the lowest in the world. Basic health indicators like infant mortality rates of 113 per thousand and life expectancy of 52 years at birth are among the lowest in the world. Less than 10 percent of babies deliveries in the country are assisted by trained personnel. Only about 11 percent of children are fully immunized. Medical professionals estimate that about 50 percent of fatalities from diseases could be prevented if detected and treated.

There have been major improvements in the health field during the past 10 to 15 years. Today, many more Nepalis have access to inoculations and drinking water. The crude death rate has fallen from 27 per 1,000 in the 1950s to about 15 per 1,000 in 1989 mainly because of an expansion in health infrastructure and the success of malaria eradication, immunization, and oral rehydration. There has been a marked decrease in infant mortality, and, for the first time, population statistics show that women have a longer life expectancy than men. Also, there has been a noticeable increase in the

⁴ The information presented here on Private Sector Health Care Delivery was compiled from interviews with clinics, USAID/Nepal health officials, and UN health-related agencies. The team had limited access to preliminary findings from a study financed by USAID/Nepal on the potential role of the private sector in privatizing family planning/maternal child health (FP/MCH) services in Nepal conducted by John Snow, Inc. and Management Support Services Pvt. Ltd. However, the conclusions in this section should be supplemented by the final report, which was not available to the authors.

number of health practitioners -- doctors, nurses, health workers, health volunteers, and administrators.

Despite these improvements, the majority of the population does not receive health services because of financial cost, inaccessibility, social values and inadequate information. One of the major problems is that 60 percent of doctors and other medical personnel are located in the Kathmandu Valley. This imbalance has an extremely negative impact on health care delivery.

Health Sector Delivery Services

Health care is traditionally a public sector service in Nepal. The GON, operating through the Ministry of Health, operates a nationwide system of health care clinics. Most donor assistance -- USAID, UNFPA, UNICEF and WHO -- is oriented toward supporting this public health system.

Private health care delivery services have emerged only recently in Nepal. This takes two forms. First, a network of NGOs (such as the various Save the Children organizations, United Mission to Nepal, and others) have begun to develop private clinics and practices to reach poor people with basic preventative medicine and family planning services. At the present time there are approximately 98 NGOs working in the health field, most of which (81) are international NGOs. Of these 24 (13 of which are international NGOs) can be considered as major programs. The NGOs are almost entirely funded by international donor agencies.

Second, a number of doctors and other direct service providers -- including physicians, nurses and health assistants -- are beginning to open private "nursing homes"⁵ in response to an expanding market for improved health services in urban areas. The private sector's role is still significantly smaller than the government and NGO community, but is rapidly increasing as wealthier Nepalis seek improved medical attention.

In addition to the public and private health care delivery systems, private pharmacists -- in reality minimally trained individuals licensed to sell drugs -- play an important role in prescribing and dispensing medications (including injections).

Major Problems Facing the Sector

The public health system faces severe manpower and logistics problems. The teaching hospital at Tribhuvan University was described as "beyond hope" by many doctors. An evaluation of a "direct diseases program" conducted recently by UNICEF found that training materials were deficient. The government lacks the ability to pay government staff -- including doctors and other medical personnel -- which leads to poor quality of services. There is a lack of adequate supervision and few career development opportunities within the public health sector. Finally, the situation is exacerbated by the inability of the government, even with donor assistance, to maintain and equip the health posts.

⁵"Clinics" in the U.S.

The NGOs face a different set of problems. Most have a narrowly defined project objective or focus -- often imposed by the donor -- that reduces their effectiveness.⁶ More important, the NGO programs lack objective performance standards and an empirical means to measure how much they are really achieving, what they are doing right and wrong, and why. Many are succeeding in doing what they are supposed to, but there is no way to measure impact or efficiency. Finally, few of the NGO programs are sustainable; they are dependent on donor willingness to continue subsidizing their operations. This vulnerability to the funding whims of donor agencies limits the long-term contribution of the NGO community to meeting the health-care needs of Nepal. Sustainability is the key issue facing the NGO programs.

Sustainability is also one of the major problems facing the private health clinics ("nursing homes"). These have generally been established by health care personnel with little knowledge of or experience in administering a private sector institution. They do not know how to run these as businesses, and unless they can become sustainable they do not represent a long-term contribution to meeting the long-term health care needs of the country.

Both private health clinics and the pharmacists focus on curative medical attention; very few are trained, or motivated, to provide preventive services. Pharmacists tend to prescribe medicines and injections rather than preventive care because they earn a lot of money on drugs and antibiotics. Even in cases of diarrhea, for example, pharmacists tend to give antibiotics rather than oral rehydration treatments, which are more effective in saving lives.⁷

Training Needs

Health care professionals and donor agency health officers identified six areas as priorities for health sector training.

Training in preventive, as opposed to curative, medical services is widely considered to be the most important single substantive training need in the private health care system.⁸ The system is heavily oriented toward curative medicine, yet preventive measures are more cost effective in improving general health conditions. In particular, health workers need to be trained to be more effective in disseminating health information to patients.

Second, the private health care providers -- both NGOs and the private clinics -- need training in operating these entities as private businesses. This is critical to the long-term sustainability of private health delivery services in the country. In particular, this needs to include training in:

- financial management
- cost containment
- pricing of services
- cost recovery

⁶UNICEF feels strongly that this project focus is too limited -- the NGOs need to develop a broad-based approach to health coverage. (UNICEF)

⁷Interviews with UNICEF and WHO.

⁸Interviews with UNFPA, UNICEF, WHO and USAID health officers.

- financial solvency

Third, there is a critical need for improving hospital administrative skills. Training health administrators of both public and private facilities in the general administration of health facilities -- particularly in the areas of personnel and inventory management -- would go a long way to improve the administration of existing health facilities.

Fourth, health professionals -- including doctors, drug retailers, pharmacists, physicians' assistants and community health volunteers -- need instruction in appropriate use, prescription and administration of drugs. Contraceptive Retail Sales (CRS) is participating in a program with the UNFPA to train pharmacists in injectable contraceptives. Upjohn will do the actual training.

Fifth, there is a specific need to teach village health workers about AIDS, which is a growing problem caused by frequent exposure to India through trucking routes, prostitution, and migrant workers.

Finally, there also should be greater emphasis on training, developing and employing non-doctor medical personnel.

Training Problems

Training of health care professionals, para-professionals and administrative staff has been a problem in Nepal. Most training to date has been for public sector health staff. The MOPH controls who goes for training, and this is highly politicized. When the Mission has identified good courses it has been difficult to get the MOPH to nominate appropriate people on time. A study of the training needs of family planning clinics conducted for USAID/Nepal showed that there was little planning or rational selection of trainees; some were trained many times, others not at all. Even more important, the rewards for working in public health are so minimal that training often takes the place of other rewards; the training allowance compensates for salary deficiencies. Finally, there is no local medical institution that provides quality training or education for doctors and other medical professionals to improve their skills or keep up with their profession.

Opportunities for Improving Private Health Care Services

Drug retailers, including pharmacies, could become an important information source for preventive care. The large number of pharmacies located across the country could provide a new opportunity for improved family planning and preventive health education through the distribution of more appropriate drugs and FP devices.

Employers offer an excellent potential for expanding health services to employees. Individual, or groups of, companies that offer health services could be encouraged to expand these services through in-plant clinics and outreach services provided by private practitioners. Other employers should be encouraged to provide health services to their employees as a means of improving productivity. Unfortunately, many company executives do not see a benefit from providing health services. To convince CEOs to establish or expand clinics, Nepal needs professionals who can conduct feasibility

studies and cost analyses for private companies to show the benefits -- in terms of costs and savings -- of providing health care for workers.

3. Food Processing

The food processing sector includes vegetable/fruit canneries, flour mills, bakeries, confectioneries, rice mills and edible oils refineries. The majority of these firms are located in the Kathmandu Valley, Biratnagar and Birgunj. Production is almost entirely for the domestic market. As both the Nepal and Indian economies liberalize, Nepal's comparative advantage is expected to lie in this sector. Many of the large conglomerates such as the Golcha Group, are investing in production sites in the Terai, along the Indian border, for exports to India.

Women work in the sector almost exclusively as factory workers, in assembly line jobs. Some of the more established companies, such as the Chaudhary Group, provide transportation for their women workers, keep them on the morning shift so that they may pick up their children from school, and are thinking of building an on-site day care center to retain their skilled women workers. Such progressive moves have resulted in very low female staff turn-over for this particular conglomerate's food processing units.

Major constraints facing the food processing firms include:

- A large potential domestic market for some goods, such as biscuits and noodles, but insufficient marketing strategies to develop and expand the market;
- Firms often have different machinery from different countries, making it difficult to train staff to repair and operate the range of machinery;
- Lack of sufficient spare parts when imported machines break down (it can take up to 2 years to get spare parts from China, but only a matter of days from India);
- A severe shortage of chemists, sanitation specialists, food technologists, bakers and managers to work in food processing;
- Insufficient raw materials for wheat by-products limits production to satisfy new product demand -- Some producers see an opportunity for diversification of products as Nepalese food habits change from rice to wheat products because of life style changes, health awareness, increased snacks consumption and population growth; and
- Inadequate volume of raw materials and infrastructure makes it difficult for agribusiness to be competitive and flourish.

Training needs include:

- Improved skills to perform general maintenance and repair of machinery and the factories;

- Skills to improve the entire production process, including quality control, and production planning, efficiency, and management;
- Improved marketing skills to expand markets and diversify product mixes; and
- Firms would like to send some employees to continuing education courses as well as to two to four year programs to develop skilled technicians in major product and skill areas, particularly food technology, sanitation, chemistry, and engineering.

4. Tourism

Tourism currently accounts for about 24 percent of Nepal's total foreign exchange earnings. It is described as the number one growth sector in Nepal's eighth five-year plan⁹, which includes a more liberal approach to encourage foreign investment and participation in the development of the tourism industry. The strategy is to develop hotels and restaurants that will encourage tourists to spend more when they visit, as well as extend their stay. The strategy also includes extending trekking to more remote areas to develop and create employment opportunities for the rural population.

The sector includes many related industries, ranging from travel agents, to hotels. Tourism is estimated to employ over 10,000 people in 1990, with a 4-9 percent forecasted annual growth rate.¹⁰

Women in the sector occupy low skill level clerical and housekeeping functions, or else are in front-desk, public relations positions in the hotels and in the travel agencies. Some women own or manage private sector travel agencies.

Major constraints facing the sector include:

- Government policy restrictions on conversion of foreign currency;
- Environmental degradation, which makes Kathmandu and Nepal a less attractive tourist destination;
- Political instability, such as the trade block imposed by India in 1989, and political turmoil in 1990;
- The seasonality of the tourist business, which limits peak sales volumes to a six month period between September and February;
- Nepal has typically attracted a low-budget tourist market;
- Insufficient bedding capacity during peak season;

⁹National Planning Commission. *Approach to the Eighth Plan, 1992-1997*. Kathmandu: HMGN, April 1992.

¹⁰IBRD, 1991, annex II.4.

- A glut of identical and low quality services heavily concentrated in Kathmandu, which reduces overall profit margins; and
- A lack of supporting infrastructure and services to extend tourism into new areas.

Training needs include:

- Basic skills training in public relations, ticketing and making reservations and bookings;
- Overseas marketing for the hotel industry;
- Skills in differentiating market segments within the sector, and effectively marketing to the different segments (there are very few services for high expenditure tourists in and around Kathmandu);
- Skills in promoting and providing ecologically sound tourism;
- Better personnel management and labor relations for senior management; and
- Better on-the-job training programs, since most training is conducted on-the-job.

5. Carpet Sector

The carpet industry mushroomed in the early 1980s, and has become the largest foreign exchange earner, accounting for 52 percent of all Nepalese exports. Exports in 1990 amounted to \$81.3 million, representing a 61 percent growth rate from the previous year, and a total of 1.3 million square meters of carpet (worth \$79 million) has been exported in the first seven months of the current financial year. The industry benefits from favorable government policies that facilitate low-cost credit, and provide five-year tax holidays and import duty concessions.

Carpet weaving is a traditional Tibetan skill, introduced into Nepal by Tibetan refugees. Raw materials are imported. Traditionally a high-quality Tibetan wool user, the industry now uses higher proportions of cheaper wool imported from New Zealand, mixed with wool imported from Tibet. Chemical dyes are imported from the Swiss Sandoz Company.

Germany is the principal market for Nepalese carpets, with over 90 percent of carpet exports going to Germany for distribution throughout Europe. Other markets for Nepalese carpets include Switzerland, the UK, Belgium, France, the Netherlands, Sweden, Austria, Japan and the U.S. The extreme dependence upon the German market underscores the long-term vulnerability of this sector. The rapid increase in carpet production has been accompanied by a decline in quality, possibly ruining a reputation and a market that took 30 years to build. The industry should learn from the collapse of the Moroccan carpet industry, which lost its market in Germany from overproducing inferior quality products. Many carpet producers believe that regulation to maintain quality control is urgently needed to save the industry from possible collapse.

The introduction of chemical washing in Nepal has contributed to the two major problems facing the industry -- overproduction (particularly of lower quality carpets) and declining prices. Until recently the limited number of carpet washing plants in Europe provided a natural limit on the number of carpets produced in Nepal -- maintaining better quality and providing price stability. Local carpet washing has led to overproduction, reduced quality control, drastic drops in prices, and immeasurable environmental costs and water supply shortages.

The carpet industry employs more than 300,000 people. Most of these are migrant workers from rural areas, who are paid on a piece-wage basis. Over 90 percent of the wool spinners and 50 percent of the carpet weavers are women contract workers. Most of the carpet manufacturing firms are clustered in and around the Kathmandu Valley.

According to the carpet producers interviewed, the major constraints to future expansion of this industry include:

- Insufficient quality control mechanisms have allowed inferior quality carpets to enter the market and damage the reputation of Nepalese carpets overseas.
- The market is currently saturated with Nepalese carpets because many new producers have entered the industry. New producers are undercutting prices by making inferior quality carpets.
- Carpet demand is beginning to decline in traditional markets. The industry has been unable to diversify export markets beyond Germany and Switzerland. Accessing the U.S. market remains a major challenge. Labor and supply problems make it difficult to work on strict production schedules to meet foreign buyer demands.
- Inability to maintain a loyal work force is perhaps the biggest problem; competition has become so great that the carpet labor force is increasingly transient. Firms generally experience high turnover of employees.
- As a result of high labor turnover, firms find it difficult to maintain qualified/skilled workers.
- Work is often contracted out to individuals or smaller firms. It is difficult to get consistent performance from contractors.

Training needs include:

- Marketing skills to diversify the market, understand color and design preferences of new markets, and identify new buyers (a possible intervention to assist the Nepalese carpet industry would be to invite new potential buyers to Nepal to speak to Nepali producers about export market trends and needs, and to become familiar with Nepalese products);
- Management skills to effectively manage contract work and piece rate production, and to provide the right incentives and clear terms and conditions;
- Labor management skills, critical to this labor-intensive industry, develop loyalty by providing better incentives and not exploiting their employees;

- Production management to reduce raw material waste by making contractors and employees responsible for mistakes. Effective management of raw materials and labor will increase productivity; and
- Cost-effective pollution control technologies and skills to help the carpet industry meet increasing criticism about the adverse environmental impact.

6. Garment Sector

The garment industry is a relatively recent phenomenon in Nepal, developed in the 1980s as a response to U.S. restrictions on imports from India. Most of the firms in this sector are Indian firms that have moved across the border to take advantage of the absence of U.S. import quotas on Nepalese ready-made garments. It is the second largest foreign exchange earner for the country, accounting for \$49 million in foreign exchange earnings, or 25 percent of total exports, in 1990. The garment industry is estimated to employ 70-80,000 persons. There are an estimated 400 factories in and around Kathmandu Valley.

The garments industry is entirely export-oriented, with a small local market for rejected output. Exports are mainly to the United States and Western Europe, with over 80 percent of production going to the U.S. The European market is more demanding, and more difficult to access. The greatest constraint faced by the garment sector is quota limitations on imports by the EEC and the United States.

The garment industry is low capital intensive. The majority of workers are low-skilled, trained on-the-job, and on contract, paid on a piece-wage basis. Women occupy the lowest paid and least skilled positions of sewers and trimmers, whereas men almost exclusively are the cutters. The head tailor and quality control personnel, as well as technicians are almost exclusively Indians. The inputs -- fabric, buttons, thread, and partially labor are imported almost entirely from India.

Although the sector is frequently cited as one of the major providers of employment, particularly for women, it is generally not considered to have long-term sustainable prospects, given India's own liberalization efforts and GATT discussions which may remove quota ceilings in the United States and Europe.

Major constraints cited by garment firms include:

- A constrained market because of the quota system imposed by the United States;
- Unstable government policies, which create major instability in their operations; and
- A shortage of qualified skilled labor in Nepal, requiring more expensive skilled Indian labor for management and technical positions.

Training needs include:

- Marketing strategies for export promotion to new markets; and
- Improved management and technical skills for quality control, production, cutting garments, and tailoring, in order to be able to replace Indian labor with trained, less expensive Nepalese labor.

7. Textile Sector

The textile sector depends predominantly on imported raw materials, such as yarn thread from Singapore, Japan, and Korea, and cotton thread, dyes and chemicals from India. Most of the textile production is for the domestic market. Women workers and children are prevalent in the sector, and are preferred for their dexterity and weaving abilities.

Major constraints facing the textile sector include:

- Firms generally believe that government policy is the leading constraint: absence of sufficient government protection; undue tax burden; inadequate response to industrial problems, such as stopping smuggled competing goods from India; policy advantages enjoyed by cottage industries make them more efficient than many small, medium and large firms.
- Inability to find qualified skilled labor for dying, printing, and overall management. Many of the skilled positions are filled by Indians because there are very few skilled Nepalis.
- Lack of appropriate mechanisms and ability to manage labor problems.
- Many firms admit they lack the management capability to run the business effectively.

Training needs include:

- Specific skills in dying, printing, and production management;
- Personnel management and labor relations to address labor disputes and to motivate workers; and
- General management skills to run the firm effectively.

8. Leather Products Sector

Goatskin, buffalo and sheepskin products occupy a significant position in Nepal's export market. Goatskin production is clustered in Biratnagar, Birgunj and Siddharthanagar, where most of the tanneries are located. While Nepal has traditionally been an exporter of skins, it is increasingly exporting manufactured leather products. Goat skin shoes are being manufactured exclusively for

export to Western Europe. The value of exports of hides and skins products in 1990/91 totaled \$4.7 million, or 5 percent of total exports.

Men are typically employed as cutters and tanners, while women are employed in low-skill and lowest paid activities requiring detailed work -- sewing, finishing, polishing.

Major constraints facing leather firms include:

- Strong competition from India, Bangladesh, and Pakistan, which have lower transportation costs because of easy access to ports;
- The Government of Nepal has not targeted the leather sector to promote competitiveness as much as other countries have, and the absence of government incentives and policies makes Nepalese products less competitive (producers suggest that the GON could provide technical assistance on new technology research and development, a data base on leather technology, and chemical inputs at subsidized rates to allow Nepalese producers to be more competitive);
- Illegal entry of Indian shoes makes it difficult for Nepalese producers to compete in the local market;
- Lack of sufficient skilled labor to fulfill the major technical requirements for producing quality products; and
- Insufficient working capital to acquire the necessary technology to increase exports and competitiveness, despite having identified good market potential.

Training needs include:

- Technical skills for the advanced leather tanning technology required to produce quality export products to compete in international markets;
- Skill development in the different stages of leather processing, quality control, and staff productivity;
- Skill development of mechanics and operators to properly operate and repair machinery;
- Management techniques for improved labor relations, personnel administration, and production;
- Training for chemical treatment of hides; and
- Skills in leather garment design and fabrication, and leather footwear design and stitching.

Entrepreneurs in the leather products sector seem more receptive to the idea of training their staff because firms require skilled labor to compete in international markets. Training should cover the entire production process to maintain quality standards and to spread advanced techniques across the

firm. Equally important, training should be closely tied to technical assistance that would improve the quality of raw materials and finished products.

9. Handicrafts Sector

The handicrafts industry builds on ancient and indigenous Nepalese skills. Most of the production units are centered in Kathmandu, Patan and Bhaktapur. The handicrafts sector is closely tied to the tourist sector, and produces a variety of products, including silver jewelry, bronze, brass and copper products, stone and wood carvings and products. Women concentrate on basket-making, weaving, knitting and pottery, while silver and metal working are traditionally male activities. The overall quality of production is declining, as cheap imitations are produced on a mass scale.

Several innovative ventures, such as The Association of Craft Producers (ACP), have succeeded in securing export contracts. ACP works exclusively with women producers in rural areas. It contracts out the work, provides the raw materials, and buy back finished products that adhere to strict quality standards on a piece-wage basis. ACP works with over 200 rural producers. Sales have been growing by 30 percent a year. The institution is close to self-sufficient, and maintains a large retail outlet in Kathmandu.

Major constraints facing handicraft producers:

- The sector is dependent on tourism, since the local market is very small;
- No copyright protection exists for unique design development, with the result that new products or designs are copied almost immediately;
- Few firms have the ability to produce large volumes in a timely fashion to meet export market requirements; and
- Quality of production is declining with the influx of cheap products and imitations.

Training needs include:

- Improved skills for the entire production process, including quality control, and production planning, efficiency, and management;
- Marketing skills to diversify the market, understand color and design preferences of new buyers, and to develop contacts with buyers;
- Domestic marketing skills to stimulate demand; and
- Design skills to improve marketability of products.

10. Private User Groups

Training opportunities for private user groups do exist, but there are important constraints that should be considered in devising training for such groups in community forestry management, irrigation, farmers' cooperatives, and NGOs that operate outside of, as well as within, USAID projects.¹¹

In most cases, private user groups are not clearly or easily defined. A first step in training design would require preliminary efforts by a well trained facilitator to identify the real users of a resource through extension activities. Because many of the issues surrounding private users are legally, culturally, economically and politically sensitive, identification of true private users can be difficult, and the danger of reinforcing inequities might occur. For example, if there is a perceived benefit, particularly financial, in a community forestry project, there is a risk that village elites may dominate the process, even though they may not even be among the real users. Training of elites in this case would not only be a wasted activity, but it could reinforce inappropriate patterns of resource usage.

Extension activities, for example, in community forestry management, to identify actual private users require frequent and informal visits by project officials over a period of several months to collect information about forest usage patterns and problems. During this period, private users can be identified and conflicts relating to access rights can be exposed. Small, informal group discussions are held with various private users so that confidence grows to the point that low caste people and women begin to express their opinions. Conflicts over access rights and boundaries can then be resolved by consensus. During the course of these extension activities, the actual private users will be identified.

The risk of distorting private users through poorly prepared or targeted training interventions should be carefully considered in programming training for private user groups. Training must be closely tied to an overall management plan that integrates private users at the village level with any government agency involved. In some cases, such as community forestry management programs where the Ministry of Forestry and Soil Conservation will play an active role, government officials will have a legal role in working with private user groups, and they will often carry out training.

Any intermediary that might be included through the DTP project will need to have "a role clearly articulated and slowly and sensitively developed in order to avoid unnecessary mistrust."¹² To avoid potential problems, programming of training for private user groups should be closely tied with existing USAID projects that already have established the trust and working relationships with private user groups.

¹¹Information on private user groups for community forestry management was collected from *Forest Management by User Groups: Case Studies from Tukucha and Nala, Kabhre Palanchok District*, M.R. Maharjan and D.A. Gilmour, Nepal-Australia Forestry Project, October 1990; *Directions for Community Forestry Management in Nepal*, Seminar Series at Institute of Forestry, Pokhara, September, 1988; and Don Gilmour, Queensland Department of Primary Industries, Australia, fax communication of 11 September 1992 to Jim Packard Winkler.

¹²Don Gilmour fax communication, p. 2.

If private user groups can be identified with a fairly high degree of confidence, then there are a number of areas for training, including:¹³

- Simple methods of record keeping, both financial and administrative, to satisfy government requirements plus the requirements of the user group itself;
- Skills needed to deal with financial institutions and government bureaucracies;
- Intermediation and facilitation exercises to clearly define the rights and responsibilities of private citizens and private groups; and
- Technical skills to improve private user groups' capacity in managing their resources (forests, water, agricultural goods, etc.).

The major difficulty in working with private user groups is that these tend to be widely dispersed, in rural areas, encompassing a limited number of individuals. Providing training to these groups would require a major program effort, and considerable management. With USAID/Nepal's planned cutbacks, its ability to dedicate the management and effort required to conduct a major campaign to train user groups is questionable. Although working with these groups is laudable, USAID/Nepal needs to adopt a more efficient training strategy. Assistance should be limited to natural interventions through existing projects.

11. Summary

The major training needs identified by survey respondents generally fall into three categories: management, professional and technical. As can be seen in the following table, there is a recognized need to improve key management skills in the areas of personnel management, labor relations, and marketing. Similarly, most of the sectors need to improve professional skills in financial management, accounting, design, advertizing and quality control. Needed technical skill improvements are more industry-specific.

¹³*Ibid.*, p. 1.

Major Training Needs

Sector	Managerial	Professional	Technical
Financial	<ul style="list-style-type: none"> ● strategic planning skills ● skills in competition and how to deal with it ● positioning ● segmenting target client markets ● pricing 	<ul style="list-style-type: none"> ● financial management and credit skills ● money market transactions ● capital markets ● managing foreign exchange and convertibility ● credit card processing ● letters of credit ● operating the "SWIFT" system 	<ul style="list-style-type: none"> ● Computer skills
Health	<ul style="list-style-type: none"> ● operation of clinics as a business ● personnel management ● inventory management 	<ul style="list-style-type: none"> ● preventive medicine ● financial management ● cost containment ● pricing of service ● cost recovery ● financial solvency 	<ul style="list-style-type: none"> ● appropriate use, prescription and administration of drugs
Food Processing	<ul style="list-style-type: none"> ● Improved marketing skills to expand markets and diversify product mixes 	<ul style="list-style-type: none"> ● Skills to improve the entire production process, including quality control, and production planning, efficiency, and management ● food technology, sanitation, chemistry, and engineering 	<ul style="list-style-type: none"> ● Improved skills to perform general maintenance and repair of machinery
Tourism	<ul style="list-style-type: none"> ● Overseas marketing for the hotel industry ● Skills in differentiating market segments within the sector ● Better personnel management and labor relations 	<ul style="list-style-type: none"> ● Basic skills training in public relations, ticketing and making reservations and bookings ● Skills in promoting and providing ecologically sound tourism 	
Carpet	<ul style="list-style-type: none"> ● Management skills to effectively manage contract work and piece rate production ● Labor management skills ● Production management ● Marketing skills to diversify the market, understand color and design preferences of new markets, and identify new buyers 		<ul style="list-style-type: none"> ● Cost-effective pollution control technologies

Sector	Managerial	Professional	Technical
Ready-Made Garments	<ul style="list-style-type: none"> Marketing strategies for export promotion to new markets 	<ul style="list-style-type: none"> Improved technical skills for quality control, production, cutting garments, and tailoring 	
Textiles	<ul style="list-style-type: none"> General management production management Personnel management and labor relations 		<ul style="list-style-type: none"> Specific skills in dyeing, printing
Leather	<ul style="list-style-type: none"> Management techniques for improved labor relations, personnel administration, and production 	<ul style="list-style-type: none"> Skills in leather garment design and fabrication, and leather footwear design and stitching 	<ul style="list-style-type: none"> Training for chemical treatment of hides Technical skills for the advanced leather tanning technology Skill development in the different stages of leather processing, quality control, and staff productivity Skill development of mechanics and operators to properly operate and repair machinery
Handicrafts	<ul style="list-style-type: none"> Marketing skills to diversify the market, understand color and design preferences of new buyers, and to develop contacts with buyers Domestic marketing skills to stimulate demand 	<ul style="list-style-type: none"> Design skills 	<ul style="list-style-type: none"> Improved skills for the entire production process, including quality control, and production planning, efficiency, and management
Private User Groups	<ul style="list-style-type: none"> Intermediation and facilitation exercises to clearly define the rights and responsibilities of private citizens and private groups 	<ul style="list-style-type: none"> Simple methods of record keeping, both financial and administrative Skills needed to deal with financial institutions and government bureaucracies 	<ul style="list-style-type: none"> Technical skills to improve private user groups' skills in managing their resources

B. General Human Resource Needs

Numerous training needs assessments have been carried out in Nepal during the past five years. Some of these, particularly those conducted by the U.N. Agencies, have focused on vocational skill needs. Others -- such as the 1988 USAID/Nepal-sponsored training needs assessment, the investigation carried out by Michael and Stelle Feuers for the Economic Liberalization Project in 1992, and this assessment -- have concentrated more on management and professional needs.

There is a remarkable consistency in the findings of the various studies that have looked at professional and management needs. All of these have pointed to the weak managerial environment in most private firms. All have noticed a weakness in professional administrative skills, such as accounting, financial management, personnel management, and marketing. And all have commented on the weakness in basic supervisory functions.

This assessment confirmed the earlier findings, identifying four key areas in which the lack of trained manpower is perceived -- either by outsiders or by the owners managers themselves -- as a major constraint. These four areas are: top-level management, professional and intermediate level management, professionalism, and skilled labor.

1. Managerial Skills

There is a shortage of modern managers. This shortage exists at both strategic and operational-levels of management. The traditional family ownership structure of firms has meant that management styles are still essentially feudal, and management positions are ascribed rather than achieved. Although a new cadre of foreign-trained managers is emerging, the human resources in this area are very thin. Some firms are increasingly feeling the need to improve management practices because of increased competition caused by economic liberalization and exposure to foreign clients and markets that demand international standards.

At the strategic level, there is a shortage of managers skilled in strategic planning. This has implications for personnel management and staff development for improved performance and competitiveness. Management tends to be ad hoc and with a short-term view. Owners complained about the lack of good operational managers who can take the "bull by the horns." However, the strategic management style is self-reinforcing. The dearth of operational managers can be attributed to the lack of personnel management policies and lack of incentive systems practiced. For instance, management tends to be 'control' heavy -- general mistrust of non-family or kin members leads to limited delegation of responsibility, and therefore to little development of a cadre of responsible operational managers who take initiative. Managers need to change their attitude from a "watchman" to an "executive or managing director." Only one of the companies interviewed had an employee-ownership structure; they considered themselves a maverick in Nepal.

2. Professional and Intermediate-Level Management

As pointed out above, respondents in most of the sectors recognized a need to improve professional skills in financial management, accounting, design, advertizing and quality control. These are generally skills that are taught in academic programs. The inherent weakness of the Nepalese university system, and its inability to produce quality graduates is the major impediment to upgrading these skills.

It is important to note, however, that increasing the supply of trained professionals in these fields will not necessarily overcome the problem. There is not a high demand for individuals based on their professional skill capacity, and most training. Also, as will be seen later in this chapter, owners and managers of enterprises are not willing to provide this professional level training, because this level of personnel within the organization is from outside the owners' family relationships, and is viewed as potentially mobile.

3. Low Degree of Professionalism

A general lack of professionalism was cited as a constraint across all sectors. Managers mentioned worker attitudes as a serious constraint to private sector development. Poor attitudes included a lack of sense of responsibility, timeliness, and loyalty on the part of workers. These were cited as problems more frequently in sectors requiring low-skilled workers on a piece-wage basis, such as carpets, garments and textiles.

On the other hand, the attitude of managers towards workers does not promote trust and loyalty. Labor exploitation was cited as a major problem by academics and workers. Hierarchical and feudal management practices do not inculcate a sense of loyalty and responsibility. A lack of performance-based incentive systems has not promoted 'professionalism.' In addition, non-family members taking initiative is not necessarily rewarded in a tightly-held family ownership structure.

4. Shortage of Skilled Labor

There is an acute shortage of technical and skilled labor in almost every sector and across every function. Some of the causes and implications of this labor shortage are that:

- The existing formal education system does not produce the necessary human resources;
- There is no acceptable local training institution to improve the skills of staff or produce qualified graduates that can be hired by firms; and
- Despite high un- and under-employment, there is great competition for skilled labor -- it is common practice to steal employees away from competitors or to hire Indian professionals and technicians for key positions.

A widespread dearth of vocational and technical skills was a severe constraint for each sector. Factory managers and owners most frequently mentioned not being able to find technicians to service and repair plant equipment, telephones, plumbing systems, vehicles, and machinery. Inability to manage plant and equipment effectively causes production stoppages, slowdowns and inefficiencies. Managers are very aware of their firms' deficiencies in this skill area, but they can not find the skilled labor in Nepal.

Although several technical/vocational skills development schools exist, graduates of these programs are considered abysmally qualified to perform the functions they were trained for in the private sector. Of 99 graduates trained as mid-level technicians for rural areas, including construction supervisors and assistants, junior technical assistants for agriculture, and auxiliary nurse midwives, of the Jiri Technical School sponsored by the Swiss Development Cooperation Nepal (SDC/N), 80 percent joined the public sector, 6 percent joined the private sector and 13 percent were unemployed.

In the absence of skilled labor, firms hire skilled Indians or steal Nepali labor from competitors, or train un-skilled and semi-skilled labor on the job. These options do not satisfy the demand for skilled technical labor. Without sufficient supply of such skilled technical labor, it is very difficult for firms to operate efficiently, much less compete in the international market.

Attempts to meet vocational skill training needs, however, have not been very successful, as the rate of placement of graduates has been low. Even the ILO is restructuring its training activities to reduce general vocational training to meet labor needs in existing firms in favor of and targeting training for individuals that are contemplating starting their own businesses. Vocational training, *per se*, is probably not an area of training that USAID/Nepal should emphasize.

C. Cross-Cutting Issues

1. Business Environment

The private sector in Nepal is small. There is a limited number of small- to medium-sized enterprises, and a large number of informal-sector microenterprises.

Most of the small- and medium-sized enterprises in Nepal are family owned (private limited), structured as mini-conglomerates. Family groups spawn a variety of small businesses, based primarily on the availability of family members to provide executive management. Growth, therefore, is in the number of small enterprises rather than through increases in scale in a single firm. Also, factors such as control, loyalty and family ties -- rather than profit, market share, or sales maximization -- are the primary determinants of firm behavior. Very few could be classified as dynamic, modern-oriented firms, and there is little understanding of how to operate in a market economy.

Within these family conglomerates, a feudalistic/hierarchical tradition prevents delegation of authority and responsibility among employees. Family members comprise the upper management echelon, and there is little or no professional management. The local market is viewed as limited, with easy access for competitors. Thus, there is a suspicion of training non-family professionals who could become competitors.

In addition, firms generally have little capability to manage staff at all levels. Unless the firm has had some contact with competitive markets, foreign buyers and suppliers, or international experience which demand well manager personnel, managers tend to exploit workers and do not invest in their productivity. Many managers interviewed expressed dismay with a labor force that does not demonstrate much loyalty or professionalism. Yet, at the same time, firms do not see the need to provide positive incentives in the work place, promote employees who demonstrate greater productivity after taking training courses, or allow employees to share in profits. As a result of poor personnel management, many firms have excessively high turnover of personnel and low productivity levels.

These factors obviously have strong implications for training. Few firms have the ability and motivation to incorporate and use trained professional employees effectively. Owners interviewed during the course of the study were willing to provide training for family members. They were less interested in providing training for non-family professional employees. Most of the non-family employees in the firms are semi- and unskilled workers who develop skills through informal on-the-job training.

This situation also has a strong influence on job opportunities and upward mobility for women. Women in wealthy Nepali families tend not to work. The upper management positions in these firms are reserved for male family members rather than skilled professionals. Therefore, there is little opportunity for women to find high-level professional positions in the private sector. The issue is not one of lacking skills, but of the structure of society itself. Training, *per se*, will have little or no impact on increasing the access of women to higher level professional positions in these private sector companies.

The need for skill development must be driven by factors outside of the realm of training: (a) economic liberalization and privatization, which will require new market-oriented abilities; and (b) economic liberalization in India, which will remove some of Nepal's traditional competitive advantages. Only when firms perceive a strong need to compete efficiently in private sector markets will there be a demand for skilled professional workers.

2. Socio-Cultural Attitudes

Numerous socio-cultural attitudes and practices conspire to reduce the effectiveness of training. Perhaps most important, for large segments of the population, "for-profit" activities are viewed as "polluted" and of low status; people perceive jobs in the private sector to have lower status than government jobs. Given the number of 'perks,' a government job is often "low salary, high income."

Training of lower-echelon personnel is not seen as returning a positive value to the firm. In fact, training is often perceived to be the cause of employees leaving the firm to seek better jobs. Also, firms rely on "on-the-job" lower-echelon training, and do not perceive the need for or value of external training.

Training is not viewed as an investment in human capital. Instead, training is seen as an end in itself, rather than as a means to increased productivity and efficiency. Few traditional firms have training plans or strategies, and few reward persons who have received training with greater responsibility, upward promotions or increased salaries. As one personnel manager of a large domestic bank said: "Why should I pay people who have received training more money? They have already been rewarded by getting the training." While employers place little value on developing human capital, they place even less value on training women, since women are considered and treated as temporary labor, that will marry, have children and leave.

Donor activities in training have exacerbated this tendency. By paying stipends to attend training courses, donor programs have encouraged the perception of training as a reward, in and of itself, and have created a culture of training that is unrelated to performance or benefits.

3. Rural-Urban Differences

Training needs for firms outside of Kathmandu, in other urban centers (such as Pokhara, Biratnagar and Birgunj) do not differ significantly in terms of management needs. In fact, there were no significant differences between the responses of rural and urban respondents to the assessment survey.

There are, however, variations based on the types of industries clustered in different geographic locations. For example, textiles are concentrated in Biratnagar, agribusinesses along the Indian border, and leather in Birganj and Biratnagar. The technical and industry-specific needs of the firms depend on the types of industry and are considerations for USAID/Nepal. Training interventions that focus on specific subsectors will need to take this geographic distribution into account.

Rural microenterprises comprise the largest portion of the private sector. Their greatest constraints are production, marketing, assessing market needs, lack of infrastructure or means to access markets, and credit. Training programs for this target group include motivational training, 'barefoot' accountancy, simple inventory management, and marketing. Training is provided on-site, and is set at hours convenient to the target group -- such as early mornings, times that do not coincide with the harvesting or planting hours, or hours that do not interfere with other activities necessary for subsistence.

The Production Credit for Rural Women (PCRW) project initially worked with illiterate rural women. Training techniques which were 'demonstration-intensive' were used, and skills and literacy programs were closely intertwined. Training rural entrepreneurs is best conducted within the larger framework of a project.

The training needs of rural people differ substantially from urban entrepreneurs. For one, in rural areas, the high illiteracy rates imply different and more informal training. The multiple occupations

of rural people, between farming and other entrepreneurial activities have seasonal and timing implications. In training women in rural areas, it is often necessary to invite the husband, mother-in-law or older family members -- to explain the training to them, and to demonstrate its benefits to the household -- to minimize problems at home. SBPP uses this approach to increase female participation. The Association of Craft Producers (ACP) provides simple training, which is hands-on and demonstration intensive. It organizes rural illiterate women to produce according to international specifications. The ACP sells the inputs, and purchases only those pieces which comply with its specifications. It has succeeded in organizing and training over 200 rural producers and operates a retail outlet in Kathmandu, as well as exports handicrafts. Potential areas include silk production, mushroom farming, and fresh flower production. Although training can teach people to produce better quality products, any attempts need to be done within the context of a larger project, which examines market demand, and develops distribution and marketing channels for increased production. The ACP model -- in which the organization acts both as a trainer and as a marketing intermediary -- seems to be a viable approach for reaching rural women.

4. GON Policy Constraints

In general, the private sector contacts identified few specific GON policy constraints to human resource development, utilization and training. They did not view any specific policies, *per se*, as constraints. However, GON training programs were severely criticized and deemed useless by the respondents. Those who had sent personnel to attend government-sponsored vocational training programs often mentioned having to re-train their personnel after they attended these programs. The private sector felt that it was the government's responsibility to ensure adequate supplies of basically literate and trained people, which the government was not doing.

Regulatory and fiscal policies have both directly and indirectly influenced the environment for human resource development. While it should be noted that most of the constraints mentioned here are being dismantled, the private sector as it currently exists is the product of previous government policies that directly and indirectly stifled its development. Previous government policies discouraged professionalism and competitiveness by providing a restricted and protected environment that directly benefitted a small group of privileged families and firms.

The high status associated with public sector jobs still exists and seems to be the driving force behind government-run vocational training. In 1989, the GON increased minimum educational requirements for trainees in the schools supported by SDC/N from 7 to 10 years. According to SDC/N officials, trainees with higher levels of education are poor candidates for technical training schools -- they are more likely to seek further education and not practice the skills they are trained for in the vocational schools.

Government tax policies (or the lack thereof) continue to encourage tax evasion and fraud. This perpetuates a lack of professionalism in terms of using sound and standardized accounting principles, and financial analysis and reporting, as a management tool. Taxes are not applied uniformly and are often arbitrarily set by the tax collector -- annual income taxes are adjusted at arbitrarily set linear annual increases, regardless of whether profits or losses were made.

Government financial policies have the effect of limiting loan terms to five years -- which is not sufficient time to invest in the manufacturing sector and realize a return on investment sufficient to repay the loan.

Social legislation, which requires that social security and maternity leave costs fully are borne by employers, and that requires firms with more than 50 women employees to provide day care facilities. These requirements act as disincentives for employers to hire women.

The prohibitive costs and cumbersome regulations for business registration have traditionally encouraged firms to stay small, informal and invisible, thus restricting their access to formal credit and other resources necessary for growth.

Finally, liberalization of the private sector continues to be constrained by the lack of liberalization in the public sector. As the largest formal employer, the government has set the low performance standards which spill over into the private sector. Financial benefits as a result of widespread corruption in the public sector created little incentive for trained people to move to the private sector.

USAID should pursue several opportunities that could improve the role of the private sector.

- Complement the public and private sector training components of DTP to change negative attitudes about the private sector and establish a clearer understanding in Nepal of the positive role of the private sector and a market economy to promote the country's economic development.
- Provide some seed money or coordinate with other donors to encourage HMG to implement a public relations campaign that supports the private sector and its new role in the economy and society.
- Explore tax and other incentives that would encourage private firms to invest in human capital. Traditionally, the most effective training of public funds for training could be through vocational schools that train workers, rather than investment in vocational schools.

5. Constraints to Women's Participation

Opportunities for women in the modern private sector are constrained most by socio-cultural factors that determine 'appropriate' roles for women. These, even more than a lack of skills, are the major impediments to women gaining access to managerial and professional positions. The combination of family-run business conglomerates, traditional practices of hiring only family members for top or confidential management positions, and the fact that women in wealthy families do not work, coupled with lower educational and training levels severely limits opportunities for women. Perhaps as modernization occurs and the general demand for non-family managerial positions increases, there will be increased opportunity for women (as well as generally), at which point their lower qualifications levels may become a significant issue.

The traditional view of daughters as economic liabilities that 'marry away' as opposed to sons who are permanent economic assets conditions the role of women in the private sector. In the family-based ownership structure of most firms, sons and related male members operate the businesses, while female members do not get involved.

Upper and middle class urban families have traditionally frowned upon women working outside of the home -- it was a poor reflection on the family reputation, that one's daughters or wife could not be provided for by the men in the family. Such social sanctions meant that men are educated and better prepared for the work force, whereas women are socialized for their traditional roles as daughters, wives, mothers, and daughter-in-laws.

According to studies conducted by WEAN, attitudes which consider women's income as secondary to men's or as 'pocket money,' and perceptions that women are less motivated, mobile, and committed than men, in concert with women's unequal educational attainment and exposure, limits women's participation in the formal private sector.

Women's limited access to education and new skills vis a vis men's, coupled with socio-cultural attitudes relegates them to low skill jobs. The lack of women in decision-making or visible positions in the private sector can be attributed to two principal factors: (a) lack of a qualified pool of women who could fill these positions; and (b) socio-cultural stereo-types preventing women from receiving the qualifications, or from occupying these positions despite their qualifications.

As later entrants into the formal job market, professional opportunities for women are further constrained by the lack of positions available. The traditional pyramid structure of Nepali firms would have to expand to make new room, and the cultural attitudes would have to be further elasticized to make that additional room available to women.

Women lack the resources necessary for business investments. Nepalese women have no inheritance rights to parental property, and limited inheritance and disposal rights of husband's property. Banks require parental backing of loans to unmarried women (UNICEF, 1992). Women must often obtain permission from male household members to undertake any activity, particularly economic activity.

Consequently, women play a subsidiary role to men in the 'modern' private sector. Women entrants to the formal work force occupy similar ranks across subsectors, that is, secretaries, clerical staff, or the lowest-paid laborers across several industries -- such as carpets, garments and textiles.

As can be noted from Table 1, which illustrates results of the sector surveys, women occupied the same functional levels across all sectors; the low-skilled worker, such as the weavers and stitchers, or clerical secretarial positions in other areas. Women were by far the preferred workers for spinning and weaving in carpets, mending in textiles, and thread cutting in garments, food preparation in processing, knitting woolen handicrafts, and stitching and finishing in leather goods. There are few women in managerial and professional positions, with the notable exception of the carpet sector. The carpet sector is predominantly Indo-Burmese; women in this ethnic group, and in the Newar group have traditionally played an active and important managerial role in entrepreneurial activities. Twenty-five percent of professionals in the garment industry were also women, who were valued for their eye for detail and quality control in this exclusively export industry.

Table 1

**Women Employees as Percent of Total Employees,
by Professional Categories and Sector**

Professional Categories	Total	Leather	Carpets	Textiles	Food Processing	Garments	Other
Executives	4	5	7	0	8	0	0
Professionals	13	0	18	0	3	24	0
Administrative	26	3	59	3	6	9	4
Technicians	13	0	10	0	2	0	13
Skilled	1	0	0	0	0	0	14
Semi-skilled	48	46	41	4	35	44	100

Managers (the majority of whom were men) interviewed had varying perceptions about the role of women in the private sector. General comments were that:

- Women are disruptive to a work environment dominated by men. This perception is based on two issues: women can be distracting to men ("male workers tend to tease them, get distracted, and perform less"), and male-dominated working environment may not be conducive to women "to maintain their dignity."
- Women cause problems in the work place; the culture does not allow for integrating women and men.
- It was not worth training women factory workers because "they leave to marry and have children."
- Women have not shown an interest in applying for job openings.
- Women are valued for their work ethic, dependability and tendency to stay on the job and not be transient.
- The rate of absenteeism is relatively higher with women. Women require additional financial burden, e.g. leave with pay during pregnancy.
- Firms in sectors such as garments and textiles mentioned that women can not be deployed in all the shifts (such as night shifts) because of personal security or family obligations. They had to expend extra effort to protect women from security problems.

- Women are more transient because of marriage, they often accompany their husbands when they move.
- Often, women can not do tasks that require physical strength, such as tanning hides, trimming and washing carpets, and operating heavy machinery.

On the other hand, women were preferred in several industries, such as carpet and leathers, because they were considered quieter, more dedicated workers. Many are migrant workers who are domiciled outside of Kathmandu Valley so they stay in the same factory and location (some work at home), thus are less mobile and absent, and easier to "control."

Women in managerial positions in the public corporations said that when their turn came up for training, they were often by-passed, or a more junior male was selected by their superiors for the opportunity. They also mentioned being left out of the information loops, such as the after 6:00 p.m. drinking sessions where 'real' networking took place, since their household responsibilities and societal pressure precluded them from participating in these sessions.

Women factory workers mentioned that they had to face pressure at home from their husbands and in-laws, and were expected to fully conduct all household activities despite the fact that they worked outside of the home. The lack of child care facilities was cited as the single largest constraint to their economic participation outside of the household. The Business and Professional Women's Association has worked with industrialists in the Industrial Estate Areas to set up day care centers, which has stemmed the high turn over in the female work force in these estates.

Although male managers claim that women are not mobile and do not apply for positions, women mentioned that positions are rarely advertised. The PCRW project advertises positions for rural extension officers, open to women college graduates, and has had no difficulty in recruiting, training, and retaining female staff. This is in spite of the fact that although married, the rural extension officers are expected to spend up to 75 percent of their time in rural areas.

It is unlikely that women will be nominated by employers to participate in training programs unless they hold key positions where the skills they have is the overriding factor. It is unlikely that women will nominate themselves or demand training, often because they are not in important enough positions, or lack the confidence to do so.

Training women in and of itself will not overcome the inequities caused by this socio-cultural milieu. Until competition, scale or other factors force modernization in these industries, there will be limited opportunity for women. Educating women, and developing "marketable" skills in the absence of an effective market for those skills, is likely to produce frustration and disillusionment.

Training can, however, contribute to changing perceptions and attitudes if it first expands the vision of owners to value growth, competitiveness and efficiency, and then creates an awareness of the need for employing, retaining and rewarding personnel based on qualifications. Equally important, training can help women solidify positions and expand opportunities in two important areas:

- industries that have already gone through the process of modernization and are opening professional and managerial positions to individuals on the basis of qualifications rather than family membership; and

- existing and new women-owned businesses.

D. The Demand for Training

1. Attitudes Toward Training

Private sector respondents to the survey indicated that a shortage of skilled labor was a major constraint, and indicated a need (and willingness) to provide training to their employees. This contrasts sharply, however, with the observations of other individuals interviewed during the course of the assessment who, almost unanimously, confirmed that the closely held family firms had little interest in developing skills among non-family professional or skilled workers. Consistent with this latter observation, few of the respondents to the survey had actually provided outside training for any of their employees or staff members, and even fewer indicated a willingness to pay for outside training for other than close associates or family members. The effective demand for training in an environment that does not value training as an investment is small.

Moreover, most of the survey respondents could not clearly articulate the particular skills that are missing, or that need to be improved, to address the problems that they face. Individual, firm-level training needs assessments and preliminary discussions would be needed to create an awareness and understanding of the particular skill enhancement needs, and then to design training that will solve real problems.

Most of the respondents to the survey were in favor of developing skills of semi- and unskilled workers. Vocational and technical training programs have had only limited success in addressing this issue, as training for semi- and unskilled labor is inherently an on-the-job issue, and cannot be supported effectively by donor-sponsored training programs. The ILO, which focuses almost exclusively on vocational training, has come to the conclusion that this has had little practical success in Nepal, and is refocusing its effort on helping individuals start new businesses. Low literacy rates in Nepal also appear to reduce the ability of low-skilled workers to absorb formal training programs.

As mentioned by the ILO, the demand for skilled labor must originate from employers in the modern private sector, and these very employers must have confidence in the delivery system of skilled labor, before they are willing to train in a more systematic manner.¹⁴ For the private sector to respond positively to training opportunities, therefore, that training must:

- Be practical, participatory, analytical, short-term and sequenced, needs driven, technically sound and locally conducted.
- Develop a cadre of operational managers -- task and result-oriented.

¹⁴1990, p. 35.

- Develop a broad base of skilled technicians -- electricians, plumbers, workers, and of semi and unskilled workers.
- Inculcate a sense of professionalism (commitment and loyalty) across all ranks, from workers to managers.
- Be sector-specific for sector-related issues, and cross-sectoral in management issues.

Even though respondents to the interviews and survey indicated a great deal of interest in skill training and managerial development, caution must be exercised in interpreting these responses as indicative of actual demand. Numerous factors in Nepal — the general business environment, socio-cultural attitudes towards training, policy constraints, and gender considerations — are combining to depress the effective demand for and potential success of private sector training programs.

The demand for training will most likely increase as economic liberalization progresses, and firms begin to recognize the need for quality employees to be able to compete effectively in local and international markets. Thus, the firms that appear most likely to develop the management culture necessary to value and use trained manpower are firms that (a) are undergoing an economic crisis as a result of liberalization and removal of protective measures and that have a direct need to become more effective and efficient, and (b) are aggressively engaged in developing and expanding their markets. These are the firms that will first perceive a need for trained manpower, and that will begin to recognize the value in a trained work force.

2. Willingness to Pay for Training

USAID/Nepal expressed an interest in ascertaining whether or not private sector training could become at least partially self-financing. Participant fees would not be expected to cover the full costs of training, but would be expected to cover some portion of the training costs.

Charging fees for training is a means for leveraging training resources; more training can be carried out within a given budget if participants cover a portion of the costs. At the same time, the ultimate test for the demand for training is the extent to which participants are willing to pay for it. Willingness to pay is a direct measure of the value of a course; if participants are unwilling to fund a portion of the training costs it is doubtful that the proposed training is meeting a priority need.

Respondents to the survey generally indicated that they would be willing to expend funds on quality training that addressed real needs. However, this contradicts the common experience of training institutions and donor training programs. HURDEC quickly found that there was little interest among entrepreneurs to pay for the training it offered, and reoriented its program to serve the NGO community, which was operating on international donor subsidies. The MRTC complained that its training needs assessments identified a high demand for certain courses; but when it actually designed and offered the courses, very few clients were willing to pay. As a result, MRTC focuses almost exclusively on providing courses to government ministries that the staff members had previously worked in.

The donor community has exacerbated the problem by paying participants to come to training courses. This undermines any attempt to charge a fee for training, because Nepalis have become accustomed to the other system.

It appears that the DTP would be most successful in charging fees when the training is directly related to the needs of a specific subsector. Content-oriented training in marketing, production-technologies, low-cost pollution control techniques (in the case of carpet industry) and other similar industry-specific courses are more likely to permit fee collections than are generalized management training and professional skill courses.

E. General Conclusions

From the perspective of a Western, market-oriented private sector, the major human resource development needs are in the areas of management and marketing. The protected economic environment and concentration of private sector development in a handful of family-run conglomerates has stifled the development of an entrepreneurial class that is capable of planning, developing and managing modern, competitive industries. Skilled workers, technicians and skilled mechanics were the other skill categories identified by entrepreneurs as being in short supply.

Women face special constraints. In general, they receive less formal education than men: Fewer enter school, more drop out, and the quality of education received is generally lower. Once in the market place, they are consigned to lower status jobs, with fewer opportunities to gain the skills needed to advance. Training can be a tool for attitudinal change -- to chip away at traditional feudal management styles and reduce gender biases prevalent in Nepal.

Resolving these skill deficiencies is not a question of providing more training, however. The primary constraint to improving labor skills is that there is a lack of a "culture of training", and of performance-based personnel systems or incentives to reward or motivate training. As the Feuers pointed out in their briefing to USAID/Nepal, without a culture that encourages, values, uses and rewards changes, training is wasted. Before training will have an impact there needs to be a basic change in cultural values within Nepal. Until the situation forces change and a need for better management, and until private sector firms see a need to compete efficiently and the need for more productive labor is internalized by the firms, training, *per se*, will have little impact on improving upward job mobility or private sector performance. This has been exacerbated by donor agency activities that have introduced distortions to stimulate attendance at training sessions, with the result that training is often seen as a reward rather than as a means to improve skills and performance.

USAID/Nepal needs to keep in mind that training is most effective when it responds to demands for skilled personnel resulting from enterprise growth, expansion, or restructuring. It is not a particularly effective means for bringing about that enterprise growth, expansion or restructuring.

Chapter 4

DONOR ACTIVITIES IN PRIVATE SECTOR TRAINING

Although many multi- and bi-lateral donors are involved in various aspects of private sector development -- policy dialogue, infrastructure development, basic education, health care delivery, credit, and other types of programs -- USAID/Nepal is one of the few donors involved in private sector training. This chapter reviews the major program efforts of the international donors as they relate to private sector training.

A. USAID/Nepal

Training has long been a major component of the U.S. Agency for International Development's assistance efforts in Nepal. During the past 40 years, more than 4,000 individuals have received training in the U.S. or third countries. Until recently training has focused on preparing public-sector officials.

USAID/Nepal's present private-sector training activities consist of a general Development Training Project (DTP) and the project-specific training components of active development projects. The training components of individual projects represent planned training programs targeted at furthering specific project objectives, and are based on a needs analysis of the particular project environment. Three of these projects -- Economic Liberalization, Agro-Enterprise Technology Systems, and Child Survival and Family Planning Services -- constitute the Mission's major private-sector related activities.¹ The DTP has, to date, functioned as an unstructured, target-of-opportunity training program that permits great flexibility in responding to ad hoc training requests.

¹. In addition to these three projects, USAID/Nepal has several projects in the agriculture and rural development area -- irrigation, forestry and Rapti area development -- that work almost exclusively through the public sector; the PVO Co-Financing project that supports the field programs of numerous individual NGOs; and several projects related to democratization. These projects were not included in the scope of this assessment. Although the Child Survival and Family Planning Services project also works primarily with the public sector, it was included within the scope of this assessment because of the Mission's interest in increasing the participation of the private sector in health delivery systems.

As can be seen in Table 1 below, funds planned for private sector training activities total \$6.4 million during the life of these projects.²

Estimated Resources Available for Private Sector Training							
By Source							
(in US Dollars 000)							
Project	1993	1994	1995	1996	1997	Other	Total
DTP							
Previous Funding	250.0	250.0	-	-	-	-	500.0
Private Sector	134.4	141.1	147.8	155.9	162.6	217.0	958.8
CSFPS	53.8	56.4	59.1	62.4	65.0	86.7	383.4
Pluralism/Dem.	80.6	84.7	88.7	93.5	97.6	131.0	576.1
Subtotal	518.8	532.2	295.6	311.8	325.2	434.7	2,418.3
Specific Projects							
ELP	314.5	314.5	314.5	314.5	-	-	1,258.0
ATSP	50.0	50.0	50.0	50.0	-	-	200.0
Others	500.0	525.0	550.0	575.0	600.0	-	2,750.0
Subtotal	864.5	889.5	914.5	939.5	600.0	-	4,208.0
GRAND TOTAL	1,383.3	1,421.7	1,210.1	1,251.3	925.2	434.7	6,626.3

To put these numbers into a general perspective, the \$6.4 million targeted for private sector training could fund an estimated 107 M.A. degree programs in the U.S., or 257 M.A. programs in regional training institutions. If, on the other hand, all of the funds were devoted to local training courses, the \$6.4 million could fund 1300 two-week training courses using local trainers and facilities, or about 300 two-week training using external training resources.

Regardless of the mix of activities, this is an ambitious training program. One of the questions that USAID/Nepal must address is whether or not there is capacity -- both in the Mission and in the country -- to absorb and manage this level of training.

1. The Development Training Program (DTP)

Until recently, most of USAID/Nepal's training activities under the Development Training Program have concentrated on the public sector. Most of this public sector training consisted of "participant training," which is defined as ". . . the human resource development component of a development

²These figures are approximate. Estimates for the DTP are from the Project Paper Amendment, and include figures for the private sector components of the project. Estimates for the Economic Liberalization and Agroenterprise and Technology Systems projects are based on information provided by the project managers and from the project implementation status reports. Estimates for "Other Projects" are based on 50 percent of an estimated training budget of 10 percent of the planned obligations for each project.

project . . . which trains foreign nationals outside their home country to fulfill the host country's human resources development objectives."³

Under the proposed amendment⁴ the DTP would be extended through 1999, with approximately 50 percent of the funds available for training earmarked for private sector beneficiaries. These funds would support general private sector development, private sector aspects of child survival and family planning, and private sector activities of the democratic initiatives program.⁵ Because training funds in other projects are largely committed through existing project agreements, the DTP is viewed as the major vehicle for meeting private sector training objectives during the next few years.

2. The Economic Liberalization Project (ELP)

This project aims to provide business skills training in the areas of management, finance, accounting, production, personnel management, public relations and financial instrument development. Short-term training is expected to be conducted by outside or local experts both locally and regionally. Although in-country training is preferred because of costs, logistics, and cultural advantages, the U.S. and regional sites will be considered for specialized training where exposure to the U.S. or Asian business/trade environment, institutions and methodologies would greatly improve the quality of training.⁶ Training is expected to be both formal and on-the-job, and is aimed at specific, well-defined needs and problems. Training will be used to further the private sector strengthening component of the project.

3. The Agroenterprise Technology Systems Project (ATSP)

The project plans to offer short and medium-term training to Nepalese agroenterprise managers in management and marketing skills. The project will coordinate training through the FNCCI Agroenterprise Center (AEC) for training in processing and marketing for farmer commodity groups. AEC will also bring in foreign experts to share information and skills with agroenterprise clients, firms and faculty in training institutions in export and domestic marketing, processing, container industries and preparation of feasibility studies. The project plans for in-country training to be held under the auspices of local training institutions with foreign instructors. Training grants for advanced training abroad will be provided to promising young managers, for two month periods in the U.S. and India. As many as 6 candidates per year in the first four years of the project will be sent to the U.S. and to Asian institutions for graduate degrees.

³AID Handbook 10, page 1-3.

⁴As of the time of this study the amendment had not been negotiated with the GON.

⁵This is in addition to training funds contained in the training components of the specific projects.

⁶ Economic Liberalization Project Paper, page 22.

4. The Child Survival and Family Planning Services Project

This project contains a large training component. However, almost all of the training planned for the project will be used to support the public health system in areas served by the project. Any training of private sector health service personnel will take place through the DTP.

5. Other Projects

Other projects sponsored by USAID/Nepal -- such as the democratic initiatives and PVO Co-Financing projects -- also contain training components.

E. Non-U.S. Donors

Most of the international donor agency programs that include training components are public sector programs. Very few of the other donors are engaged in private sector training activities.

International Labor Organization (ILO)

The ILO is primarily interested in employment conditions, labor standards and workers' rights. In Nepal the ILO works exclusively with the public sector to strengthen labor policy formulation and planning, labor policy administration and vocational skills development. One ILO advisor assists the Ministry of Labor's program for basic vocational education, and another is advising the Hotel Management and Tourism Training Center. The ILO also provides technical support to the National Administrative Staff College and the Council for Technical Education and Vocational Training, which has responsibility for establishing national policy on vocational and technical education.

Training provided directly by the ILO is for government officials charged with developing and administering labor policy, and for staff and officials of the various vocational training centers, labor supply centers, and the technical school system. A limited number of scholarships are provided to the main ILO training center at Turin, and the ILO will be sending participants for training in labor administration and arbitration. Most training is conducted in-country using external technical experts. The ILO also funds some training for the vocational schools through advanced training centers in India.

The two vocational training centers supported by the ILO are general vocational institutions. In addition, there are seven Labor Supply Centers that provide training for disadvantaged individuals, offer employment and placement services and collect general labor statistics -- one provides training in hairdressing, one in general mechanics, and the others offer training in five to ten skill areas,

including carpentry, general mechanics, cutting and stitching and press compositing. The technical school system serves primarily to train people for employment in the public sector.

A tracer study carried out in 1990 showed that, while 60 percent of the graduates surveyed were working in their skill areas, only 25 percent were earning wages. The rest were self-employed. The ILO believes that the opportunity for wage employment is very limited, and now stresses vocational training for the objectives of starting new small businesses.

The ILO has scheduled a preprogramming mission for management training. This mission will identify what other donors are doing in the field of management training and make recommendations to the ILO and UNDP on possible interventions.

World Health Organization (WHO)

As a member of the UN Group, WHO works exclusively with public sector health program activities in Nepal. One of its major activities is in developing appropriate and effective drug policies designed to promote a rational use of drugs in the treatment of diseases. This includes a major component designed toward improving quality control in the shipment, storage and replacement of drugs used in curative and preventive medicine.

Even though WHO works exclusively with the public health system, WHO recognizes that there is a need to work with private medical practitioners, pharmacists and other private sector health personnel to improve services in the country.

WHO trains about 600 people during every two-year cycle. Training is focused on health services administration, epidemiology and disease prevention and control. Most training takes place in Nepal, through the GON's Institute of Medicine, regional training centers for auxiliary health care workers, other regional health centers under the Ministry of Health, and specific training programs for Malaria workers and other specific diseases. The Ministry of Housing has planned regional training institutions for sanitary engineers. Local training capabilities are hampered by low salaries, problems with facilities and laboratories, and weak research capabilities.

Excellent regional training programs for health care professionals exist in India and Thailand. Only as a last resort does WHO provide training in Europe, Australia or the United States.

The Government of India

The Government of India sets aside a quota and provides full scholarships for Nepali nationals in Indian universities in the Engineering and Medicine faculties. Approximately 4 medical and 60-70 engineering scholarships are provided per year. It also provides 50 positions per year for Nepali trainees from the public sector. The trainees are nominated by the various line ministries, whose names are submitted through the Nepalese Ministry of Foreign Affairs to the Indian Government. The GOI then places the nominees in Indian institutions which train in the areas requested by the GON. The areas for training requested by the GON range from sugar and textile technology to

secretarial and accountant training. According to the Embassy of India, the 50 positions are not fully utilized by the GON; an average of 35-40 trainees are usually nominated per year.

Japanese International Cooperation Agency (JICA)

Japanese assistance to GON in human resource development is oriented purely to training public sector staff. JICA publishes a brochure listing the roughly 300 courses it offers a year for developing country nationals. Nepali trainees are nominated by their respective line ministries to be sent to Japan for training in areas selected by the ministries from the options offered. The GON has nominated 72 participants for 1992-93, for training in areas ranging from crime prevention to postal banking and textile product inspection. JICA projects often have a training component, where on-site training is provided to Nepali counterparts.

Other International Donors

The Danish International Development Agency runs a number of technical training programs through the Council for Technical Education and Vocation Training. The Swiss International Development Agency also supports technical education and, with the Asian Development Bank, is co-financing four technical training schools. The UNDP is working exclusively with the public sector. The British Council provides fellowships for training in Great Britain, some of which have been used by private sector individuals. GTZ is working in vocational and technical training, and in entrepreneurship training for new small businesses.

C. Summary

The non-U.S. international donor training programs focus almost exclusively on the public sector. Those involved in private sector training focus on micro- and small scale enterprise promotion or on vocational skills development. USAID's activities in this area are in a relatively nascent stage, and USAID/Nepal is well-positioned to fill a niche for potential unmet demand in private sector training.

Donor activities are poorly coordinated, and donors at times seem to be competing with each other by having different training policies, and differing reimbursement and per diem rates for sponsoring participants to the same training events. Efforts are often duplicated, given the little coordination of development and training programs.

Chapter 5

TRAINING RESOURCES AND CAPABILITIES

Meeting the need for increasing manpower skills for the private sector can take place through a variety of institutions. For purposes of this discussion it is useful to distinguish training resources first by their location -- U.S., regional, or Nepal -- and second by the type of institution. This chapter reviews some of the training resources available in county, regionally and in the United States, through which USAID/Nepal could sponsor training activities.

A. United States¹

AID-sponsored training in the United States is coordinated through the Thomas Jefferson Participant Training Program, managed by the Office for International Training. An organization called Partners for International Education and Training (PIET) currently coordinates all training sponsored by USAID missions in the U.S. PIET publishes an annual course curriculum which it distributes to all USAID Missions. Missions can also cable PIET to request information on any particular type of course listing, or to request that tailored courses be designed and put together in the U.S.

B. Regional

It is far less expensive to send individuals to receive training in the region than to the United States. Training within the region, particularly in India, is often more appropriate to the Nepalese context. In addition, it is probably even more cost effective to bring appropriate training programs from reputable regional training institutions to Nepal.

The difficulty in identifying appropriate institutions and programs is a major impediment to making effective use of regional training opportunities. There is a lack of easily accessible information on training programs in the region. A.I.D. lacks a centralized information system with access to

¹This refers only to AID-sponsored training. Other U.S. training options that can be used include the Fulbright Program and programs sponsored by USIS.

information about where to send trainees for a particular kind of training.² One such source of information is the "Directory of Training Institutions and Resources in Asia and the Pacific," compiled by the National Manpower and Youth Council in the Philippines,³ which covers 16 Asian countries. For the purposes of this assessment, the major drawback of the Directory is that it focuses almost exclusively on vocational or technical training institutes. Annex F contains a listing of the few institutes listed in the Directory that offer some training programs in business and management. UNIDO once published a directory of regional training programs, but this publication is so out of date that it is not particularly useful.

The key regional training institutions that offer management courses -- which the majority of people interviewed are already familiar with -- are the Asian Institute of Technology (AIT) in Bangkok, Thailand, which specializes in engineering (agricultural, sanitation, environmental); the University of the Philippines, Los Baños, mainly known for rice research; The Asian Institute of Management (AIM) in Manila; and the Indian Institute of Management in Ahmedabad, India, which were informally assisted or advised by faculty of Harvard University's School of Business.

Following is a selective listing and description of universities or institutes in the region that offer degree and non-degree training programs in business and management.⁴ The team is not in a position to offer a qualitative evaluation of these institutions or programs.

Asian Institute of Management (AIM)

The Asian Institute of Management (AIM) is an international, privately supported graduate school of management located in Metro Manila, Philippines. Its mission is to prepare men and women for managerial leadership in Asian business, government, and non-profit organizations. By offering high quality management education programs and through the conduct of Asian-focused management research, the Institute's faculty and administration aspire to strengthen the capacity of both private and public sector organizations to contribute to the development of better Asian societies.

²The team contacted the following individuals, offices and organizations in an effort to get information about regional training programs for business and management: Alan Kreger, AID/Office of International Training; Robert Dakan, USAID/ASEAN/Bangkok; Jim McCaffrey, Training Resources Group, Alexandria, Virginia; Jim Eisner, Office of Communications, Harvard Business School; Susan Elrod and John De Boer, Winrock International; Emrah Oral, AID's Private Investment and Trade Opportunities (PITO) Project, U.S.-ASEAN Council, Washington, D.C.; Christopher Sieger, Carnegie Council on Ethics and Understanding, New York; Paul Cunnion, U.S.-Philippine Chamber of Commerce, New York; Krishna Kumar, AID/CDIE; Jenna Luche, AID/WID; and Joji Reyes, DAI's representative in Manila, Philippines.

³This directory was written by the International Labour Office, Asian and Pacific Skill Development Programme, Islamabad, Pakistan, 1983.

⁴The following descriptions of selected management and business training institutes was provided by Dr. Joji Reyes, DAI's representative in Manila, Philippines, who is an adjunct faculty member at the Asian Institute of Management. The descriptions of selected nondegree courses are taken from Susan Elrod, ed., "Global Nondegree Training Opportunities in Agriculture," Center for Institutional and Human Resource Development, Winrock International, Morrilton, Arkansas, June 1992.

AIM has produced over 16,000 graduates and program participants who have assumed or returned to management positions in Asia's leading corporations, decision-making responsibilities in ASEAN governments, and entrepreneurial opportunities for the development of new enterprises and sources of revenue to support regional growth. The Institute was established with the intent that it become the center of Asian management education, and with the mission to train competent, socially responsible managers for Asia. Fifty-two percent (52%) of the Institute's students come from countries outside the Philippines, and AIM offers eleven non-degree courses, five of which are being offered in Malaysia, Indonesia, Thailand, Singapore, and Taiwan.

The Institute has a full-time faculty of forty-five members. In addition, fifteen management practitioners serve as external faculty members every year. All of AIM's faculty members have post-graduate degrees in management and/or related fields from major universities in the United States, Europe and Asia.

Program Offerings for FY1992-1993

Degree Programs

Master in Business Management (MBM)

- US\$ 4,800 annual tuition
- intensive two-year course

Master in Development Management (MDM)

- US\$ 6,000
- one-year degree program

Master in Management Program (MM)

- US\$ 7,200
- one-year course

Executive Development Programs

Top Management Program (TMP)

- intensive four-week course

Basic Management Program (BMP)

- intensive four-week course

Advanced Bank Management Program (ABMP)

- intensive six-week course

Construction Management Course (CMC)

- two-week program

Management Development Program (MDP)

- intensive eight-week course

Advanced Manufacturing Management Course (AMMC)

- intensive three-week program

Marketing Strategy Course (MSC)

- intensive two-week seminar

Development Executive Programs

Program for Development Managers (PDM)

- intensive four-week course

Social Entrepreneurship and Enterprise Development Program (SEED-PRO)

- intensive five-week course

Program and Project Development Management Course (PPDMC)

- intensive four-week course

Language Center

English for Management (EM)

- US\$ 1,600 program fee
- full-time course

Case Method Preparatory Course/English Language (CMPC)

- US\$ 1,200 program fee
- intensive six-week course

Effective Communication for Managers (ECM)

- US\$ 500 program fee
- intensive one-week program

Contact Persons: Prof. Felipe B. Alfonso
President
Asian Institute of Management

Prof. Gabino A. Mendoza
Professor
Asian Institute of Management

Asian Institute of Technology (AIT), Bangkok, Thailand

AIT is widely known in Asia for its training programs in agricultural and food engineering, computer applications, energy technology, environmental engineering, and industrial engineering and management. AIT offers diploma, master's, and doctorate level degree programs. The

institute specifically targets students from the Asia region, with tuition and fees at affordable costs (US\$2,000 per term, or approximately US\$10,000 per Master's program).

The programs in Agricultural and Food Engineering and Computer Applications might be the most appropriate programs for students from Nepal. The Agricultural and Food Engineering program focuses on food processing, with excellent facilities for process control simulation and laboratory facilities for both teaching and research. This program might be particularly useful for individuals associated with the Agroenterprise Systems and Technology Project who require specific instruction in technical areas for agribusiness industries in Nepal that are thought to have a comparative advantage.

AIT is also well known for its Computer Applications program, which relies on state of the art computer hardware and software, 51 interactive video terminals, and modern classroom, library and auditorium facilities in the Regional Computer Centre.

Selected Non-Degree Courses

Small Business Management

Begins 6/28/93
Duration 4 weeks
Fees US\$ 2,000; exclusive of room and board

The course is aimed to prepare entrepreneurs with necessary knowledge for either planning a new business venture or for continuing and strengthening an existing small business. The focus is on strategic business planning to adjust to a changing market. Course includes: getting started; feasibility analysis; market analysis; product planning; pricing and promotion strategies; financial analysis/planning; personnel management; facilities planning; credit and collection; salesmanship; taxes and the law. The course is designed for entrepreneurs and extension officers.

International Marketing Management

Begins 9/20/93
Duration 2 weeks
Fees US\$ 2,000

Course contents include: marketing organization; consumer buying behavior; inter-relationships between product prices, promotion, distribution, customer services, packaging and market research; market segmentation; creating marketing niches and services marketing. Module 2: marketing strategies for international markets; introduction to international marketing; strategic planning and organizing; cultural environment of global marketing; international legal and political environment and its bearing on marketing; researching global markets; coordinating and controlling global marketing operations.

Asian School on Computer Science

Begins 7/19/93
Duration 4 weeks
Fees US\$ 2,000; exclusive of room and board

Course provides students with advanced knowledge in a selected field in computer science. Computer science experts of international repute in Asia give lectures on a specialized subject.

Center for Research and Communication (CRC)

CRC is a private institution in the Philippines that specializes in research, communication, and professional training programs in economics and business. CRC's work stresses the development and strengthening of private enterprise. It aims to mold an enlightened, competent, and socially responsible private sector which can participate actively in the development of the Philippines and Asia. CRC is known in the Philippines and throughout Asia for its unique tutorial system, by which each student is assigned a personal adviser from the faculty so as to enable CRC to monitor each student's progress in his/her academic and non-academic pursuits.

Program Offerings for FY1992-1993

Masters/Executive Degree Programs:

Applied Business Economics Program (ABEP)

- Two year program US\$1500 (includes cost of materials and handouts)

Strategic Business Economics Program (SBEP)

- only Presidents, Vice-Presidents or those in similar positions will be admitted.
- US\$2,000/year

Industrial Economics Program (IEP)

- two-year, full-time course
- US\$2,000 for 2 years

Undergraduate Programs (four-year courses):

Humanities

Economics

- the Political Economy Program
- the Quantitative Economics Program

Business Administration

Education

Communication

Tuition Fee: US\$2,000/year (excluding books)

Contact Persons: Malou Hamor - Administrative Asst.(ABEP)
Gay Evia - Administrative Asst.(SBEP)
Moggie Fermin - Administrative Asst.(IEP)
Ellen Padilla - Administrative Asst.

University of the Philippines (U.P.)

The University of the Philippines (U.P.) in Diliman is the principal campus of the multi-campus University of the Philippines System. The University offers courses of study leading to bachelor's degrees in 133 fields. Thirty-eight units offer master's degrees in 296 major fields while 15 units offer doctorate degree.

The University of the Philippines (U.P.) is well known for its quantitative as well as its qualitative approach whereas AIM is known as a regional school that trains human resources from other ASEAN countries. The College of Business Administration of U.P. is a leading institution in management education in the Philippines. A conscious effort has been made to develop a curriculum responsive to the unique features of the Asian environment. Over the last eighty-two years, the University of the Philippines has served as the center of academic freedom. Its graduates occupy the roster of prominent leaders in the academic, business, industry and government in the Philippines.

Program Offerings for FY1992-1993

Masters Program:

Master of Business Administration

- The MBA program may be pursued on a full time basis or on a part-time (Managers' Program basis).

Full-Time Program: 5 trimesters (1-2/3 years)

Managers' Program: 8 trimesters (2-2/3 years)

Tuition & Other Fees:

Foreign Student's fee ... US\$400.00/trimester

Living Accommodations on campus ... US\$ 40.00 for room

Application fee (non-refundable) is US\$30 for foreign applicants. The fees for Computer, Mathematics and Accounting Workshops cost US\$ 30 per workshop. The Intensive English Course fee is US\$ 30. Estimates expenses for books, materials and cases is US\$ 60 per trimester for full-time students and US\$ 40 per trimester for part-time (Managers' Program) students.

Contact Person: Gerardo B. Agulto, M.B.A.
Director of the Master's Program

Doctoral Programs:

Doctoral Program in Business Administration

Fields of Specialization:

Accounting and Control

Business Economics

Finance

Marketing

Tuition & Other Fees:

Tuition fee ... US\$ 8/unit (US\$24 per 3-unit course)

Miscellaneous fee... US\$ 40/semester

Application fee ... US\$ 25 (for foreign applicants)

Contact Person: Epictetus E. Patalinhug, Ph.D.
Director of the Doctoral Program

Selected Nondegree Courses

The following courses, from four to six weeks duration, are offered by the University of the Philippines at Los Banos, by the Department of Agribusiness Management.

Enterprise Formation and Management in the Rural Areas

The course integrates and applies theories and teachings in the organization and management of new enterprises in the rural areas. Describes and analyzes the inter-relationship of the rural environment and its institutions with the development and growth of enterprises.

Agribusiness Summer Program

Modular course that provides basic understanding of relevant managerial concepts and their applications in agriculture-related ventures. Modules include: today's agriculture; quantitative management and microcomputers; tools for decisionmaking; essentials of agribusiness management.

Management and Analysis of Smaller Agro-Industrial Projects

Analyzes strategic and operational problems of small agro-industrial projects and their management. Examines the transformation of raw agricultural produce to higher value-added products which can suit the specifications of non-traditional markets.

Small Agribusiness Development

Focuses on possible agribusiness enterprise models which will showcase feasible integrative arrangements between farmers and entrepreneurs. Participants will critically examine the mechanics through which off-farm businessmen and non-government organizations can link with farmers on small and beneficial joint-business undertakings.

Rapid Agribusiness Investment Appraisal

Facilitates an understanding of pre-feasibility study preparation and analysis across various crop, livestock and fish commodity groups. It presents how the process of pre-feasibility is done to facilitate rapid investment appraisal through the use of microcomputers.

Agribusiness and Rural Enterprise Management

Provides a basic understanding of relevant managerial concepts and their application. Course has 4 modules: current agricultural problems and prospects; essentials of agribusiness and rural enterprise management; accounting and control for home businesses, cottage enterprises and small agricultural-based industry; use of microcomputers in agribusiness project analysis.

Regional Doctoral Program in Business Administration (RDBA)

There is currently a proposal to establish two (2) regional Ph.D. programs in business administration and provide support in training and research for business schools in the Philippines, Thailand, Malaysia, and Indonesia. The proposal is the result of the ongoing discussions since 1987 between the Canadian business schools in SEA, and the members of the Associate of Deans of SouthEast Asian Graduate Schools of Management (ADSGM). The Ph.D. program is currently offered by the University of the Philippines (U.P.) and De La Salle University (DLSU).

Full financial support to qualified candidates is available through scholarship grants provided by the Canadian International Development Agency (CIDA) and ADSGM.

Contact Persons: Lina J. Valcarcel, Ph.D.
Manila Centre Director
Regional Doctoral Program in Business Administration
University of the Philippines

(For those interested in the DLSU Ph.D. Program)

Osman Luis Ranit, Ph.D.
Director
Doctor of Management Program
Graduate School of Business & Economics
De La Salle University

Ateneo De Manila University

The Ateneo Graduate School of Business provides comprehensive seminar programs to senior and middle level corporate executives, managers, supervisors, and businessmen.

Faculty members of the Ateneo Graduate School of Business will teach the Programs. The faculty will use a variety of instructional methods such as lectures, case studies, and general class discussions. A major benefit of the Programs offered is that the participant becomes acquainted with fellow participants - men and women - who invariably represent a high level of experience and responsibility.

Program Offerings FY1992-1993

Construction Project Management

- US\$ 100 (inclusive of course materials, instruction, lunch, and a course completion certificate).
- three Saturdays; 18 instructional hours

Professional Manager's Program

- US\$ 100 (inclusive of course materials, instruction, Program completion dinner, and a certificate of Program Completion).
- 16 sessions; 48 instructional hours

Contact Person: Fr. Edmundo M. Martinez, S.J.
Dean, Graduate School of Business

De La Salle University (DLSU)

De La Salle University is a Catholic educational institution in the Philippines established by the Brothers of the Christian Schools in 1911. The University dedicates itself to continuing its tradition of contributing towards the formation of able professionals and future leaders of developing countries.

Philippine-, American-, Asian- and European-trained religious and lay professors and instructors compose the teaching staff. The majority are professional educators. The DLSU's Graduate School of Business and Economics has at any one time 55-60 carefully selected faculty members, all masters and doctoral degree holders who are business and management executives on a full-time basis, and who ably combine theoretical expertise and practical experience.

The Business and Economics Programs of DLSU are committed to the continuous pursuit of excellence in undergraduate as well as post-graduate business education. It also trains its students to become professional business leaders who are receptive to the changing demands of technology.

Program Offerings for FY1992-1993 (Trimesters open in May, September and January)

Masters Programs:

- Master of Business Administration
- Master of Science in Economics

Doctoral Programs:

- Doctor of Business Administration

Schedule of fees (subject to annual increase):

Foreign student application fee/trimester ... US\$50.00
Tuition and all fees..... US\$ 240.00
Monthly expenses.(food, lodging, etc)..... US\$ 400.00

Undergraduate Programs

College of Business and Economics

Students enrolled in this program will receive instructions in the humanities and liberal arts as well as in subjects related to commerce. Students can major in four areas: Business Management, Marketing Management, Management of Financial Institutions, and Legal Management.

Students who would want to acquire extensive background in both the fields of business and economics can pursue a double degree program which combines a Bachelor of Science in Applied Economics with a Bachelor of Science in commerce, major in any of the other business programs or with the Bachelor of Science in Accountancy. This double-degree program provides students with a theoretical as well as empirical exposure in Economics, blended with the practical orientation of the tools in business analysis, management science, accountancy, finance, law and marketing.

College of Computer Studies

DLSU offers B.S. Computer Science with specializations in Information Technology, Computer Technology and Software Technology.

College of Engineering

The College of Engineering confers degrees of Bachelor of Science in Chemical Engineering, Bachelor of Science in Mechanical Engineering, Bachelor of Science in Industrial Engineering (and Management) Minor in Mechanical Engineering, Bachelor of Science in Manufacturing Engineering and Management, Bachelor of Science in Electronics and Communications Engineering, and Bachelor of Science in Civil Engineering.

College of Liberal Arts

Bachelor of Arts, Regular Program

The Program offers majors in Behavioral Sciences (emphasis on Sociology or Anthropology), Communication Arts, Literature, East Asian Studies (concentration on Japan Studies), Economics, History, Humanities, Political Science, Philosophy, and Psychology.

The Liberal Arts-Commerce Program (LIA-COM)

The LIA-COM student is trained in organizational and managerial skills as well as in tools of Accounting and Management for making financial analyses and decisions. The professional courses in Business, Accounting, Finance, Marketing, Management and Law train the Lia-Com student for entrepreneurship with two degrees: Bachelor of Arts and Bachelor of Science in Commerce (AB and BSC) or Bachelor of Arts and Bachelor of Science in Accountancy (AB and BSA).

Sycip, Gorres, Velaya & C0. (SGV & CO.)

SGV has been conducting conferences and seminars on Business Management (C/SBM) for over 20 years. The seminars cover all functional areas of management. They are the culmination and the distillation of more than 40 years of audit and consultancy work.

The C/SBM is meant for managers and supervisors. It provides the participant with modern concepts, principles, tools, and techniques of management and opportunities to apply these in a structured, risk-free environment. It also creates a forum for the exchange of experiences among management practitioners.

In contrast to the other 5 institutions, SGV & Co. focuses mainly on Accountancy and Commerce. It is reputed to be one of the best, if not the best, CPA firm. SGV remains highly regarded for its training and apprenticeship - the standards are very high and the training rigorous.

Seminar Cost: (4 days) US\$ 220 per participant for 4 days, with discounts for early payment and for two or more participants in a conference from the same company; US\$ 180 for 3 days, and US\$ 120 for 2 days (the attendance fee covers all conference costs such as reading materials, case write-ups, learning aids, and refreshments/meals).

Seminar Offerings for FY1992-1993

- World Class Manufacturing
- Executive Compensation Update
- Effective Business Writing
- Accounting for Nonaccountant Managers
- Profitable Materials Management
- HRM Audit
- Strategic Financial Management for Nonfinance Managers
- Philippine Business Controllership
- Controls & Auditing in a Computerized Banking Environment
- Organization Analysis/Job Design
- Bank Management
- Basic Course for Internal Auditors
- Operations Auditing
- Training for Results

Intermediate Course for Internal Auditors
Controls and Auditing in a Computerized Environment
Advanced Course for Internal Auditors
Corporate Financial Management
Accounting Update for Accountants - Series I
Accounting Update for Accountant - Series II

Contact Persons: Ms. Patricia G. Yan
Ms. Marita S. Capito
Ms. Erlinda S. Sollano

Economic Development Institute

The Economic Development Institute of the World Bank develops a training program annually. Nine of the 48 courses offered in the January 1992 to July 1993 curriculum focus on private sector development, management and privatization. These courses are often conducted in collaboration with regional or national training institutes, and range from 3 days to 5 weeks in duration. Participation is by invitation only.

C. In-Country

Management and technical training in Nepal has typically focused its attention on public sector training. Training for the private sector is in a very nascent stage, although numerous training organizations -- mostly in response to donor-initiated projects rather than private sector demand -- have emerged in recent years.

Training institutions can be roughly divided into four groups: formal sector educational and training institutions; specialized training institutions that have emerged to meet specific training requirements; institutions that have other primary objectives but which have evolved training capabilities; and private consulting and training businesses. The leading and most frequently used and cited training resources were visited to assess their ability to meet the training demands of the private sector. While a plethora of training programs, institutes and divisions of larger organizations exist, only those which were deemed capable of meeting the needs of the private sector, or those most often mentioned are discussed in this section.

1. Formal Sector Educational Institutions

Institute of Management, Tribhuvan University

Although the only business school in Nepal, the program is rated as highly theoretical, outdated, and unsuited to the needs of the private sector. One entrepreneur commented that even masters level graduates are suitable only for entry level clerical positions in his company. It was noted that a private accounting training institutions's courses were filled with TU accounting majors.

In general, TU should not be considered as a training institution because of its negative image among the business community and its poor management and presentation of courses.

Nepal Administrative Staff College (NASC)

NASC; which is a dependency of the Ministry of General Administration, is the leading public institute with a corporate mission to train public sector employees, in order to upgrade the efficiency of the civil service and public enterprises of Nepal. Started in 1982, NASC has an interdisciplinary faculty staff of 47, and its modern facilities can accommodate up to 500 trainees. NASC carries out regular training programs to meet the needs of particular grades in the civil service; as well as tailor-made programs designed in response to specific requests, and which are provided on a fee-paying basis. It uses modern training techniques, and analytical approaches -- case studies, etc. -- which would be applicable to training for the private sector as well.

NASC does not currently provide any training to the private sector, although its techniques are transferable. Recognizing the change in orientation from public to private sector development, NASC has expressed an interest in turning their efforts to greater private sector training. Several entrepreneurs felt that NASC could provide quality services if they would re-orient themselves to meet private sector needs. The director of NASC said that the College could provide some courses for the private sector, but a more comprehensive offering of courses would require approval from the Board of Directors because traditionally the public sector was the primary client.

NASC is a professional institute with a positive image within the private sector. USAID should consider NASC as a resource for training because it already has a professional staff of trainers, administrators, and facilities, and the College is interested in expanding its training portfolio to include the private sector. NASC would most likely need some support to increase its technical capabilities for private sector training.

Centre for Economic Development and Administration (CEDA)

CEDA is a policy and research centre under Tribhuvan University with a qualified staff of 35 social scientists. While previously the foremost management and research training centre for the public sector, it has since limited its focus to research activities. Although CEDA has an impressive physical infrastructure suitable for training programs, its comparative advantage lies more in sponsoring talks and mini-workshops oriented to public administration and economic development

issues, than to private sector development. Its previous activities in training public sector staff are now carried out by NASC.

Although CEDA is interested in re-establishing training as part of its portfolio of activities, it is not perceived by the private sector as a viable private sector/management training institution. It could rent its facilities to other organizations that would manage and conduct training programs.

Kathmandu University (KU)

It is too early to judge the training potential of Kathmandu University because it is a new institution that has not yet begun to offer classes. The person responsible for it has a good track record, and a practical approach. USAID is considering to provide assistance in developing a curriculum and could provide instructors through the Fulbright Program. As currently planned, the business curriculum would be a small program, with a capability of 25 to 50 graduates per year in business management.

KU could become an established university that could offer a continuing education program suitable for private sector participants. USAID should monitor the development of KU, and consider it as a management and business training option if the continuing education program maintains high quality standards and a clear separation from the academic program.

2. Specialized Training Institutes

Hotel Management and Tourism Training Centre (HMTTC)

The HMTTC was established as a vocational institute in 1972 with the assistance of UNDP and ILO to meet the skilled labor needs of the tourism sector. Courses are provided to train people up to the assistant manager level, although the major focus is on developing skilled staff in various functions of hotel and tourism operations. The HMTTC does not provide managerial training. Many of the trainees are women, particularly for training in housekeeping, and front desk service. Of the approximately 47 staff, 7 were women. Hotel and tourism operators felt that graduates from these program were less "raw" than those who had never attended the program, but graduates still had to be trained in their in-house programs.

Training in the areas covered by HMTTC probably is not appropriate for the DTP, making this institute an unlikely candidate. Hotels are already in a position to pay for their own staff to get training, and the senior management of the hotel industry is not served by this Centre.

Economic Service Centre (ESEC)

ESEC was established in 1988 with equity participation from the GON. While its primary focus is on conducting research and consulting, ESEC has also organized training programs for various donor and government agencies. Its primary target training group is from middle management down in public enterprises. Affiliated with the Delhi Productivity Centre, ESEC focuses on quality control and

productivity training. Four of 47 officers are women. ESEC charges fees for its services, and requires clients to become shareholders. ESEC has not provided services to the private sector.

3. Institutions that Include Training Activities

In addition to institutions that specialize in training, a number of private associations, NGOs and other autonomous local organizations have begun to organize training programs for their affiliates or members.

The chambers of commerce and trade associations offer a natural framework for developing an understanding of the human resource development needs and possibilities in specific sectors. Because they group individuals and firms that share common problems and human resource constraints, these organizations should be incorporated in any attempt to design and implement training programs.

Federation of Nepalese Chambers of Commerce and Industry (FNCCI)

The FNCCI is a national federation representing 52 district chambers (out of 75 districts), 29 commodity associations, and 147 big industry members, a total of 228 members. FNCCI primarily represents private sector views on policy issues and works closely with government in reviewing proposed policy reforms. FNCCI has a representative on the National Planning Council and a number of other economic committees and institutions. The Federation coordinates training courses and workshops with various organizations, including NIDC, TPC, and the Agricultural Development Bank. In the past, FNCCI has offered a limited number of seminars or workshops on export development and simplified methods of assessing income tax.

While FNCCI is not an appropriate organization to conduct training, it represents the interests and needs of the private sector. USAID/Nepal should encourage FNCCI's involvement in the design and development of courses that will respond to the needs of the private sector. In addition, FNCCI can become an important player in stimulating demand for training services, and promoting tax credits and other incentives that will increase investment in human capital through training conducted or provided by private firms.

FNCCI can also facilitate delivery of training services to rural areas through its 52 district members. Any efforts to extend training beyond Kathmandu Valley and the few regional urban centers should tap FNCCI's network.

Nepal Chamber of Commerce

The Nepal Chamber of Commerce, established in 1952, is the oldest chamber of commerce in the country. Membership includes 1,000 individuals and 6,000 registered firms. The Chamber has offered an ad hoc set of training courses in the past on basic accounting and income tax returns. Trainers are usually retired government experts, income tax lawyers or retired tax officials who are paid an honorarium for each lecture. Firms have had a mixed response and reaction to these course offerings. Firms and individuals have not responded to advertisements for training courses in the

Chamber's newsletters in the numbers desired. The Chamber recognizes the lack of qualified or appropriate training institutions to serve the private sector, but does not have sufficient resources itself to provide the kinds of training services that would be useful.

Like FNCCI, the Nepal Chamber of Commerce can play an important role in stimulating demand as well as customizing the supply of training programs to meet the needs of the private sector.

Pokhara Chamber of Commerce

The Pokhara Chamber of Commerce has offered several training courses to its members. In the past few years, the Chamber and SBPP organized two courses to improve business management. Accounting courses were also offered. All courses are at subsidized rates. Although the Chamber does not have trainers, it has facilities to host training courses presented for the private sector and its membership also is very willing to provide input on the kinds of training courses that would serve the needs of firms in the Pokhara area.

This Chamber is very active in its membership and well represented in national issues and fora. Any training courses that will be provided in the Pokhara area should be coordinated through this Chamber, which also offers adequate training facilities and an eager membership that would participate in quality courses.

Handicrafts Association of Nepal

Established in 1971, the Handicrafts Association of Nepal has 800 members.

The association's main income is from the service fees charged for the valuation of its members export products. The association has an excellent understanding of its members' products through the valuation process that judges export value for tax purposes based on workmanship, size, material, and quality of products. The association provides training for its members in coordination with other organizations. Several members are selected each year to represent handicraft producers in international trade fairs through the Trade Promotion Center. Through the Cottage and Industry Development Board and the Export Service Center, the association coordinates training courses in product design and development, skills development, product finishing techniques for silver jewelry, leather, metal, wood carving, and woolen products. In collaboration with the Economic Services Center, the association sent five members in 1989 on an "exposure tour" to the east coast of the U.S. to meet buyers. The trip was funded through 50 percent cost-sharing by UNDP and by members. Another study tour was sponsored by the World Bank in 1988 to the Philippines through a similar cost-sharing arrangement.

This association has expressed a strong interest in training programs to improve marketing, product design, and contacts with foreign buyers. While the association does not directly provide training services, it can provide input for customized training that suits the needs of its membership.

Management Association of Nepal (MAN)

MAN is a private association of entrepreneurs, managers and professionals from various sectors, both public and private. Its membership base is made up of 93 institutions, 55 of which are from the private sector, and 700 individuals. 28 women are members of MAN. Drawing on the expertise of its membership bases, as well as non-member resource persons, MAN provides short-term training courses for the private sector on a fee basis.

MAN was founded in 1979 to promote management development, and has since opened chapters in Pokhara, Birgunj, Biratnagar, with plans to expand to Nepalganj, Hetauda and Butwal in the near future. It is thinly staffed, and hires its members or outside experts to conduct training programs. While MAN is able to sponsor general seminars and events, private sector participants felt that MAN's approach is overly general, impractical and not targeted to their needs.

MAN is well recognized in the business community, but not always with a favorable image. With appropriate institution strengthening, such as training of trainers, course design and delivery, and increased access to suitable technical trainers, MAN could become a viable training provider.

Trade Promotion Centre (TPC)

The Trade Promotion Centre was established in 1971 under the Ministry of Commerce. It provides export market information and facilitates contacts between foreign buyers and the Nepali businesses. The TPC has 105 full-time staff, including 35 to 40 professionals, 5 of which are classified as trainers. In collaboration with the International Trade Commission (ITC), the TPC has sponsored short seminars on export financing, export procedures, customs requirements, and trade fair participation. Some ITC trainers and exporters from India, Pakistan, and Bangladesh have given lectures on these export issues.

The Centre has severe budgetary problems and is overly politicized and constrained by the government bureaucracy. Training services are inadequate because of a lack of resources. The TPC was recently asked by HMG to submit a proposal to increase private sector involvement in the Centre. Some government involvement should continue to represent the national interest and limit domination by the wealthy family houses. To become an effective institution, the TPC would have to increase private sector participation and actively promote industries that increase exports, employment and rural enterprise. Most importantly, the TPC would have to provide timely and effective services and represent the interests of the private sector.

If the TPC becomes partially privatized, it could become a candidate for providing training courses for export-oriented sectors. USAID/Nepal should reassess the TPC only after it is privatized, and reinvigorated with private sector energy and management.

The Export Service Centre (ESC)

Established in 1982 through a joint effort of the Trade Promotion Centre of HMG, the UNDP and the World Bank, the Export Service Centre provides training to firms that export handicraft and wool products. The Centre has 35 full-time staff, including 3 professionals, 2 technical experts, and 6

trainers. Most of the trainers have limited formal education but many years of experience in their expertise area. Many of the trainers and technical staff also consult to supplement their income. Two of the trainers are women who specialize in knit products. The Centre also contracts skilled craftsmen to present training on specific skills.

The ESC assists firms and individuals that produce carpets, garments, knitwear, silver jewelry, and handicrafts. Training addresses product specific issues at the firm level, including product design, production techniques, packaging, and marketing. Trainees typically include skilled craftsmen and entrepreneurs who seek to improve their export products. Trainees pay subsidized fees for training.

Some examples of training during 1990/1991 included: 30 trainees learned new dyeing techniques for chemical and vegetable dyes; 60 trainees learned basic and advanced knitting for hand knitted sweaters; 10 craftsmen learned advanced techniques for silver jewelry products; one-day seminars on the export of hand-knitted sweaters and other handicrafts were given to villages. The Centre also provides technical research and development on new manufacturing techniques, such as new color combinations for carpets, new product designs for jewelry, and export market information such as international standards for exports. One example is a program with the International Wool Secretariat that allows ESC to license Nepali firms that produce knit wear and carpets according to international standards.

Eight members of The Handicrafts Association of Nepal who took courses at ESC said the quality and applicability of the courses were quite good. However, they also commented that export marketing services were still not satisfactory. The ESC's director admits he does not have sufficient resources to provide the quality or quantity of training to satisfy demand. The ESC would need additional resources to acquire audio visual equipment and better facilities to hold training courses, provide more training of trainers and increased exposure to international markets and products for ESC staff. With additional resources, the ESC would like to expand its technical and training services to textiles, silk products, and cut flowers.

Overall, the ESC seems to respond to the needs of the private sector and could potentially be a viable training provider for specific kinds of technical training with additional resources. The Director of the ESC believes that if the ESC can improve the quality of services, there will be even greater demand for training. However, ESC is not appropriate for management training, which should take priority.

Women Entrepreneurs Association of Nepal (WEAN)

WEAN was formed in 1987 to create a forum for women entrepreneurs, increase networking opportunities, and provide services for its membership base. WEAN provides several training programs for different target groups on a fee-basis. Fees currently cover about one sixth of the cost per trainee. Training is provided to recent university graduates, housewives, and existing women entrepreneurs. Of the 21 members, two thirds are involved in traditional industries; clothing, knitwear, handicrafts, while one third are involved in non-traditional activities; construction, trekking, trading.

The training program is open to all interested women who qualify for the program, and are able to pay the registration fee of Rs. 1000 per course. WEAN members and other specialists serve as the

resource base. WEAN provides a critical function in assisting women to overcome their lack of confidence, lack of knowledge about credit, loan applications, and other areas. WEAN trains in the areas of new business creation, accounts and book-keeping, business management and small enterprise development. Participatory training methods are used. Several of the training courses are coordinated with SBPP. WEAN has been able to identify several non-traditional employment venues for women, such as the cut flower industry, and food processing.

WEAN is a vital organization that represents the interests of women. The organization should be encouraged to develop additional management training and other courses that meet USAID/Nepal funding requirements through the DTP that would prepare women to become active participants in the private sector.

Professional and Business Women's Association (PBWA)

The PBWA was formally registered in 1975, and currently has 350 members in Kathmandu. While the original purpose of establishing a networking forum for professional women continues, PBWA has diversified its activities to establish day care centers in industrial estates around the country which demonstrated to industrialists a means to reduce the high turn-over in their female work-force. More recently the association has established a training centre for secretaries. Almost all costs of running this five month program are recovered through fees. PBWA also acts as a placement service, and collects a 'finder's fee' from employers with whom it places its graduates. The association has established and runs a private clinic, a literacy program in the day care centers, a scholarship fund for young girls, and is currently setting up a polytechnic institute to train women in food preservation, mushroom farming, public speaking, etc.

Like WEAN, PBWA should also be encouraged to develop training courses for women that could be supported through the DTP.

Centre for Women in Development (CWD)

The CWD is a non-profit research and training organization established by a group of professional Nepali women in 1983. Its aim is to better mainstream women into Nepal's development process. Aside from conducting research on gender issues, CWD offers training courses to women in different professional sectors. The Centre also organizes leadership and assertiveness training for young women.

The CWD could provide input on customized training courses that would further meet the needs of women in the private sector.

4. Consulting and Training Businesses

Numerous small, private companies have emerged during the past few years to provide consulting, technical and training services to a variety of public and private sector clients. Most of these are the offspring of donor-assisted projects or existing programs.

Human Resource Development Centre (HURDEC)

HURDEC was established in 1989 by a group of trainers who had worked together under the GTZ Small Business Promotion Project. Although the founders originally hoped to be able to sell services to the private sector, they found that effective demand and willingness to pay were not sufficient to sustain the organization. As a result, HURDEC now specializes in services to donor funded projects and NGOs that are supported by donor funds.

HURDEC has 11 full-time staff members with expertise in manpower training, organizational development, project planning and community development. It specializes in applying the ZOPP methodology developed by GTZ to help client groups articulate problems and define solutions. Although HURDEC has additional training resources it can call on to implement courses, it is much stronger in process-oriented training than in content-oriented training. It is capable of providing services that support the Mission's objectives in developing a demand for training, private sector organizational development, motivation and private user group strengthening. Also, it has access to independent trainers in the field of management, accounting, finance, economics and other business administration courses.

The Centre appears to be a solid institution that is increasingly recognized as a competent and qualified local technical assistance and training resource. However, it is a small organization, with a limited staff, that is in great demand by the donor community. Its ability to plan and implement a major portion of USAID/Nepal's private sector program is doubtful.

Management Training & Research Centre (MTRC)

MTRC was established by three civil servants of the Ministry of General Administration in 1988, with their own capital. Its training programs are developed on the basis of general training needs assessments. A problem cited by MTRC is that while many state a need for specific kinds of training during the needs assessment stage, very few actually attend or send staff to the courses subsequently offered.

The majority of its training programs are financed by public sector enterprises. MTRC's training program for 1992-93 includes: leadership skills, project planning, human resource development, public speaking, financial administration and accounting, training of trainers, secretarial training, and office management. MTRC claims to use participatory training techniques, although a brief review of the training materials showed them to be quite theoretical, and 'speech notes' of the lecturer. It has audiovisual equipment purchased from profits. One indicator of the relevancy of the training program is that a unit of a biogas plant trained by MTRC performed better than other untrained units of the same plant. They have not been very successful in provoking demand from the private sector.

MTRC would be capable of providing training in the areas of business administration and management. However, it is a small organization, with limited staff, and does not have the capability of managing or implementing a large program.

Development Oriented Research Centre (DORC)

Like many of the smaller consulting and training centers, DORC was established in response to donor initiatives. The director was hired initially as a private individual to help provide financial management support to an existing USAID/Nepal family planning project. He then established DORC to serve as a local counterpart for a University of Hawaii at Manoa project in family planning, and later for the INTRAH (International Training on Health) project with the University of North Carolina. DORC hired a staff of about 15 persons, and was responsible for coordinating and managing in-country training programs for the project from 1985 to 1990. During the same period of time, DORC assisted the Institute of Public Health in testing vaccines.

When funding for these two projects terminated DORC atrophied. At the present time DORC is not a functioning entity: it has no capital, no institutional base, and no full-time staff. The director is employed full time in a World Bank project privatizing tube wells.

Small Business Promotion Project (SBPP)

SBPP was started in 1984 with assistance from the GTZ to promote entrepreneurship and small businesses in select locations of Nepal. The project provides training in the areas of new business creation, provides consultant service to existing small businesses, business information services, training of trainers from other institutions, and research. Trainees are required to pay a portion of the costs of operation. SBPP's programs are designed in accordance with a needs assessment of its client group. It is a credible institution for training small entrepreneurs.

SBPP has trained a cadre of trainers in its ZOPP methodology, which is a participatory approach to establishing objectives. This methodology is being used by many other institutions working with entrepreneurship development programs.

This project would be capable of providing quality training for small entrepreneurs as individuals or groups, or for trainers who will work with small entrepreneurs.

D. Summary and Conclusions

Management and technical training in Nepal has typically focused on meeting the human resource development needs of the public sector. Training for the private sector is in a very nascent stage, and the situation described by the 1988 MASS report that "little practical management training exists in the country" still holds true today.⁵

There are very few professional trainers, and few existing institutions that provide quality training services. Formal-sector training institutions generally lack the ability to provide the type of training

⁵*Op. cit.*, page 6.

required by private sector companies, and graduates from existing training programs generally do not match the skill needs of the private sector. Because training programs have been traditionally designed to cater to the labor needs of the public sector, little or no emphasis has been placed on the quality or marketability of skills. Existing training institutions face a problem of credibility and acceptance from the private sector, which claims that local training programs are too general, too theoretical, and not very pertinent to real needs. Thus, they are poorly regarded by the potential client base.

The majority of training is provided to men by men. Only in women-concentrated activities -- such as secretarial training, housekeeping, and handicrafts -- or in programs designed specifically for women, does training incorporate substantial numbers of women. None of the autonomous private-sector training institutions visited by the team tried to encourage women's participation, or had developed strategies and methodologies for integrating gender issues, unless the training was sponsored by a donor agency and required them to do so.

The excessive inflow of donor-funded activities has created high expectations for handouts; training programs develop in response to donor or government funds, rather than by their pure marketability. In turn, trainees are often motivated more by the promise of stipends or travel than by a desire to learn and apply new skills.

The private sector has responded to the lack of effective training available in three ways: establishing formal in-house training programs, often supplemented by outside training courses in the region or in Nepal; creating on-the-job or apprenticeship training; and not having any kind of training at all. Those which have in-house training programs are: generally linked with foreign investors, or are subsidiaries of multinational corporations such as Coca-Cola; international banks such as Grindlay's, Citibank, Nabil Bank; in the hotel sector, particularly in the five star category, such as Soaltee Oberoi and the Yak and Yeti; in the travel/tourism industry, serving an international clientele.

Recently, a number of quasi-private consulting firms have begun to run training programs. The more successful of these have qualified personnel, and are capable of providing quality training in certain areas. Their principal weaknesses lie in the fact that they are small, and tend to specialize in process- rather than content-oriented training. Their small size limits their capacity to handle large volumes of trainees. As spin-offs from other training institutions or programs, they specialize in the same techniques as their predecessors, which represents a narrow range of training methodologies available. Thus, they lack the breadth of technical expertise in training methodologies and subjects required to address the range of training needs identified. Furthermore, they tend to respond to donor initiatives or other funding targets of opportunity, and are supply- rather than demand-driven.

On the basis of this examination of local training capabilities, the institutions with the greatest potential for implementing portions of USAID/Nepal's private sector training program are the National Administrative Staff College (NASC), the Human Resource Development Centre (HURDEC), and the Management Training & Research Centre (MTRC). For training women, the Women Entrepreneurs Association of Nepal (WEAN) and Professional and Business Women's Association (PBWA) seem to have the greatest potential. These institutions have demonstrated an ability to broker training, and to find persons and institutions qualified to provide the training. On a more speculative note, the yet-to-be-developed Kathmandu University and a possibly revitalized Centre for Economic Development and Administration (CEDA) might have roles to play in carrying out private sector training programs.

USAID/Nepal must recognize, however, that the administrative and absorptive capacity of these institutions is very limited. They do not currently have, and are unlikely in the near to medium future to have, the capacity to implement training activities in the magnitude contemplated by USAID/Nepal's proposed obligation schedule. Furthermore, as the only qualified training institutions in the country, they are in demand to implement consulting and training programs for other international donors as well. The absence of a sufficient pool of trainers and institutions is a major limitation that USAID/Nepal needs to consider in planning its private sector training strategy.

Chapter 6

ISSUES AND OBJECTIVES TO CONSIDER FOR DEVISING A PRIVATE-SECTOR TRAINING STRATEGY FOR USAID/NEPAL

USAID/Nepal's increasing focus on private sector development involves training as a tool to enhance private sector development objectives. Individual projects include training components that will be used to increase private sector skills related to project objectives. The Development Training Project is being amended to shift emphasis from public- to private-sector training.

This shift from public to private sector training requires a change in focus, because of the differences in context and demand in the private sector. Private sector training is predicated on the need to make specific and concrete improvements: books will be kept, profits will increase, firms will be more efficient, sales and markets will expand. Since the objectives of the training are specific and implicitly measurable, the training programs themselves need to be designed to achieve specific objectives.

Both the objectives and the strategies for achieving them involve a series of trade-offs and decisions. The purpose of this chapter is to explore the strategic options available to USAID/Nepal for developing its private sector training program.

A. The Training Environment

More than anything else, USAID/Nepal needs to be aware that the human resource constraint for the private sector in Nepal is neither a question of numbers nor a question of supplying missing skills. It is pointless to say, for example, that "this country has a small number of MBAs; therefore more MBAs should be trained" and expect significant improvements in the private sector. The various teams that have studied this question in recent years have consistently concluded that the fundamental problem, in both the private and public sectors, is not the lack of trained personnel but the absence of an ability to use trained personnel. The industrial sector study conducted by Maxwell Stamp 1PLC, for example, concluded that:

While management training through universities and specialized programs is useful, it is not a substitute for a commercial environment that fosters the development of managerial talent through experience.¹

Michael and Stelle Feuers, in their oral briefing to the USAID/Nepal Mission,² pointed out that there is a fundamental difference between training and development: training is the transfer of knowledge or skills from a trainer to an individual or group, while development is the incorporation and application of that knowledge by the individual or group. Putting on training courses is relatively easy, but application of the skills learned requires a business culture that encourages, values, uses and rewards the changes introduced by the training. Without that business culture, training is wasted, and it is precisely the absence of this business culture that is the main constraint to private sector development in Nepal. Training, in and of itself, will have little impact on upgrading the performance of the private sector.

It is equally important to recognize that training is not the answer for many problems in the private sector. For training to take hold, other interventions (such as policy changes, attitude changes, infrastructure or others) may be necessary. Educating pharmacists on drugs and drug quality, for example, will not have an impact on drug practices in the absence of an effective government program of monitoring, supervision and enforcement.

B. Issues to Consider in Developing a Strategy

There are several issues and trade offs for USAID/Nepal to consider in developing a strategy to achieve the objectives outlined above. Determining the most effective use of scarce training resources requires a consideration of options and alternatives that involve trade-offs. Among the more important are:

- Immediate Impact versus Long-term Capabilities
- Target Audience
- Training for Job Creation versus Increased Efficiency
- Balancing Equity and Efficiency
- Assisting Large versus Small Enterprises
- Substantive- versus Process-Oriented Training
- Standardized versus Customized Training
- Location of Training
- Training at the National Level

¹*Op. cit.*, p. 161.

²June 19, 1992.

Immediate Impact versus Long-term Capabilities

There is an obvious choice between training to develop specific skill categories and building a capability to do that training. In the first case USAID/Nepal would support training courses that actually train individuals in the specific skill areas, while in the second it would help a limited number of training institutions (such as the proposed business school at Kathmandu University, CEDA, NASC or one of the small training and research consulting firms) develop curricula, trainers and a general capacity to provide the training.

To the extent that there is some urgency to assist the private sector now, as it apprehensively faces a liberalization process that requires new management skills and leadership, supporting direct training programs would be an appropriate strategy. Such a strategy would place minimum emphasis on training local trainers, strengthening local training institutions, or developing a fee-for-training process.

On the other hand, developing an on-going ability to provide quality education and training services might have a greater long-term benefit for the country, and USAID/Nepal might wish to concentrate its training resources on developing local training capacities in the formal educational sector and in private training providers. None of the institutions and organizations surveyed in this assessment have the capability of meeting USAID/Nepal's training requirements.

Developing formal management and business courses in NASC or the proposed Kathmandu University is one possible objective for the USAID/Nepal training program. A similar objective would be to strengthen the capabilities of smaller training institutes, consulting firms, trade associations and other organizations that provide general or specialized training services. This would require greater emphasis on institution building, including training trainers, developing and adapting curricula for the local environment, gradually introducing fees for training courses in order to build sustainability, and upgrading facilities and equipment.

USAID/Nepal needs to decide if it wants to emphasize the number of people trained during the next five years or the establishment of a local capability to provide continuing training.

Recommendation: USAID/Nepal should emphasize the development of a local capacity to provide continuing training.

Target Audience

Choosing the target audience for training also presents several alternatives. The Feuers argued strongly³ that to create the appropriate business environment for using trained personnel it is crucial to first train the leadership of private sector firms. In this period of transition from a protected to a market-oriented economy it is even more important to work with senior entrepreneurs to establish a business orientation that can respond to the changes and adopt strategies that require and utilize trained manpower effectively. This would suggest that, initially at least, USAID/Nepal might want to concentrate more on general leadership and "manager" training than on professional skills development among lower level staff. Choosing this target audience would also imply that training

³USAID/Nepal briefing, June 19, 1992.

would be focused on existing businesses in the country, and that it would concentrate on the wealthier elements of the private sector community.

On a different plane, USAID/Nepal could choose to target training toward subsectors that (a) show a competitive advantage in foreign exchange earnings, employment generation, and profitability, (b) will be especially hard-hit by economic liberalization, or (c) have a strong export or employment generating capability.

Nepal's private sector faces stiff competition as a result of liberalization in both India and Nepal. Not all private sector industries offer an equally strong growth potential, and the ability to absorb training may well differ from industry to industry. USAID/Nepal should target industries that either would be adversely affected by the economic liberalization programs or that have the potential for significant growth, in either domestic or export markets.⁴ These industries are more likely to understand the need for improved managerial and professional skills, as they are faced with a need to become more efficient and effective and, in the case of export-oriented industries, become more competitive. As a result, these industries are more likely to make use of trained manpower than are more traditional industries or those protected by government policies and trade practices.

Finally, USAID/Nepal's training program could target specific groups, such as women and women-owned businesses, rural businesses, or specific areas in the country. Selecting this alternative would provide a greater emphasis on equity, but might have a lower impact on economic development indicators.

USAID/Nepal needs to determine the audience it wants to reach through its training program, and the type of impact it wishes to make.

Recommendation: USAID/Nepal should target managers and provide subsector based training, to increase leverage, as well as target women, to address both concerns with equity and productivity.

Training for Job Creation or Increased Efficiency

The demand for trained employees in established companies is difficult to assess and even more difficult to plan and provide training for. After many years of experience, for example, the ILO in Nepal has found that there is little demand for trained vocational workers in established companies, and has decided that skills training should be oriented toward helping trainees become self-employed. Institutes that offer skill training in Nepal have notoriously poor placement rates, particularly in the private sector, largely because the minimalist level of skills they impart do not meet the very specific needs of individual firms for trained labor. This situation also exists for higher level employees, as the demand for skilled accountants, business majors, marketing personnel and others is very weak in the country, and unlikely to be met from a general labor pool. While the need for employment

⁴Instead of establishing criteria for selecting individual firms, which would imply cumbersome firm-level analyses, the assessment team recommends that USAID/Nepal target competitive subsectors, and thereby the firms in that sub-sector. The subsectors with the highest potential for growth appear to be agribusiness, leather, tourism, cut flowers, and silk.

generation is great in Nepal, USAID/Nepal can not realistically expect to prepare unemployed Nepalis for the work place through its training program.

Effective skills acquisition requires the opportunity to apply new skills in the work place. This implies that training should be focused either on existing employees in existing firms or on helping individuals create and operate independent small businesses. While this would not have a direct impact on generating employment -- except in the case of small business creation -- employment generation could be indirectly stimulated by the increasing efficiency of existing firms or new enterprises. The private sector will gradually generate more employment as it becomes more competitive. Other donors, particularly GTZ, provide small business training for new entrepreneurs, and while the market for such training is far greater than the services available through the donor efforts, USAID/Nepal may wish to avoid the impression of establishing a "competing" program in this area.

USAID/Nepal needs to decide if it wants to focus training on preparing new workers and the unemployed for the workplace or on increasing the efficiency of new and existing firms, regardless of the direct impact on employment.

Recommendation: USAID/Nepal should focus training on increasing the efficiency of new and existing firms in high growth subsectors.

Balancing Equity and Efficiency

As stated in the Economic Liberalization Project Paper,⁵

Determined pursuit of efficiency implies support for business groups as they currently exist in Nepalese society. For the foreseeable future, these are the groups best equipped to effectively use Project resources, both in extracting better policies from Government, and in expanding business in response to new opportunities. On the other hand, determined pursuit of equity implies conscious effort to work with women and members of disadvantaged jati; . . .

Since the current business group is dominated by elite businessmen, the trade-off lies in supporting the status quo, or in focusing efforts on the more difficult and costly route of reaching those outside the traditional circle of beneficiaries who most need assistance. The former may produce higher results in terms of measurable economic impact, while the latter would help the Mission address equity considerations in the country.

USAID/Nepal needs to decide how it wants to balance macroeconomic growth and equity objectives in its training program.

Recommendation: USAID/Nepal should attempt to build equity considerations into any private sector training program.

⁵Page 43.

Assisting Large or Small Enterprises

There is a trade-off between supporting the larger, established enterprises with export capacity, and supporting small enterprises, which make up the largest proportion of the private sector.

The larger firms often appear to offer strong growth prospects, but experience in other countries consistently shows that large firms are less efficient and require larger capital investments per job created than small firms. In Nepal, firm growth in large enterprises is determined to a great extent by family and ownership structure, and by other factors that place an even greater limitation on the growth potential of this sector.

The small enterprise sector, on the other hand, is estimated to employ 85 percent of the workers employed in the industrial sector, is more dispersed in rural areas, and is deemed by many to be the 'growth engine' in the private sector. Women and disadvantaged groups are more represented in this sector than in the larger enterprise sector. The sector is also characterized as one that is able to generate employment more efficiently and cost-effectively than the 'formal' sector.

USAID/Nepal needs to determine if its development objectives are better met by focusing on large- or small-scale enterprises.

Recommendation: USAID/Nepal should target high potential subsectors: the type and size of firms benefitted will depend on the profile of the subsector rather than be imposed by predetermined criteria.

Substantive- versus Process-Oriented Training

The small consulting firms and training institutes that have developed in recent years in Nepal tend to be process oriented. By this we mean that they focus on group dynamics, decision-making within a group, organizational development and other techniques designed to help a group arrive at a consensus.

Yet many of the problems facing the private sector cannot be addressed by process-oriented training. Most firms require technical expertise and technical content. Process-oriented trainers seldom identify needs requiring content-oriented training. On the other hand, these institutions have the flexibility to plan and manage customized training programs for clients. The ability and flexibility of these institutions to develop customized courses to meet the specific needs of different clientele groups will be a critical capability. Content-oriented training would focus on the content of training -- providing skills training in subjects such as administration, accounting, etc.

The challenge that USAID/Nepal will face in private sector training is to determine which type of training is appropriate under what circumstances, and to ensure that the proper mix of process- and content-oriented training is offered.

Recommendation: The types of problems and constraints identified during the course of this study suggest that content-oriented training is more relevant to the local situation than

process-oriented training. The major exception to this is the need to bring about a major change in attitudes and orientation at the managerial level.⁶

Standardized versus Customized Training

Most current training programs in Nepal follow a standardized approach. The training institution (or donor agency program) develops a general curricula for the training and offers it to a wide variety of potential trainees. Standardized training offers distinct advantages in terms of management requirements and lower costs, and there are instances where the need for a particular type of training, or a particular skill (such as accounting and inventory control), warrants standardized training. The disadvantages of standardized training often outweigh the advantages, however, as the training tends to be generalized, superficial and more theoretical than practical.

An alternative would be to identify particular needs of particular groups, and design a training course to fill that specific need. Although more expensive, and more management intensive, such an approach usually has a more immediate and substantial impact on the beneficiaries. Customized training would be a more effective mechanism for stimulating the private sector's willingness to invest in human capital, as it allows trainees to assess the value of the skills learned within the immediate context of their own business requirements. Customization of training should not increase costs, however, to the point where firms are unwilling or incapable of paying.

USAID/Nepal needs to determine if it wants to emphasize the reduced cost and management requirement of standardized training or the more direct applicability but higher cost and management requirements of customized training.

Recommendation: USAID/Nepal should emphasize training that is tailored to the specific needs of identified target groups.

Location of Training

USAID/Nepal has, until recently, provided very little in-country training; most of the training through the DTP has involved sending participants to the U.S. or third countries. Holding most training courses locally would reduce costs and increase the number of beneficiaries. It would also provide a mechanism for strengthening local training institutions and capacities. However, local training increases local management and implementation requirements and might not be of the quality of training afforded at regional or U.S. training sites.

Training in the U.S. is the most expensive alternative, and would reduce the number of individuals who could benefit from the training. On the other hand, training in the U.S. exposes participants to a large potential market and alternative approaches to business management, and minimizes USAID/Nepal management responsibilities. Training within the region reduces costs compared to

⁶Training designed to change attitudes and behavior can be either process- or content-oriented, usually involving a combination of the two strategies.

U.S. training, increases quality over local training, and maintains a low management and implementation burden for the Mission.

USAID/Nepal needs to consider the trade-offs between local and participant training and determine which (or which combination) best suits its short- and long-term development objectives.

Recommendation: USAID/Nepal should concentrate on providing most training in-country, with expatriate instructors when necessary. A portion should be retained to send people on trade missions or to training sessions in other countries.

Training at the National Level

Finally, there is a strong tendency to focus training in the Kathmandu area. All of the international donors are headquartered in Kathmandu; most of the country's major industries have headquarters in Kathmandu; and it is the center for business, politics and education. Training within the Kathmandu area has the benefit of being convenient to those providing the training and a substantial portion of the potential client base. Good facilities are available for both housing and serving clients. Training can be carried out more efficiently. Convenience and facilities are generally lacking in other parts of the country, and having trainers travel to remote sites is wasteful of one of the country's scarce resources -- trainer time and availability -- and greatly increases the overhead costs associated with providing training.

However, this area contains less than 15 percent of the total population, and many of the country's major industries and greatest potential for private sector expansion lie outside of this area -- particularly in the Terai. Other areas of the country have important agricultural resources that need to be developed. Bringing individuals from remote areas into Kathmandu reduces both the number of people who will be trained and the spread effect of the training in local communities; conducting training in secondary cities would increase the number of trainees that could be trained from a given area or project, and provide a greater training benefit to the local community. A focus on non-Kathmandu sites may also be important because industrial development in the Kathmandu valley is posing prohibitive environmental problems that are quickly eroding the quality of life and the important tourist industry.

USAID/Nepal needs to determine the priority it wants to give to decentralizing training services.

Recommendation: At least some training activities should be decentralized to where the clients for training services are clustered. Training targeted or specific subsectors should be conducted where members of the selected subsectors are concentrated.

C. Objectives and Role of the DTP

An important issue that USAID/Nepal needs to address in planning its long-term training strategy is the role that the DTP should play in meeting private sector training needs and complementing other Mission training activities.

AID's Handbook 10 points out that one of the primary objectives of training is to ensure the success of AID-financed projects. USAID/Nepal's training program is consistent with this objective in that most of the resources for training are contained in the training components of the individual projects. This permits USAID/Nepal to identify specific training needs and opportunities within the context of project objectives and intervention strategies.

One of the key questions facing the Mission, therefore, is the role of the Development Training Project in supporting project objectives: should the DTP be limited to supporting the Mission's on-going projects, or should it have a broader mandate to support development of a more generalized set of skills in the private sector?

The Mission's present strategy is to do both. On the one hand, the Mission recognizes that few of the current projects -- Economic Liberalization and Agroenterprises Technology Systems projects are the main exceptions -- contain funding for private sector training. For most of the projects, therefore, the DTP represents the only means -- short of amending existing project agreements -- to carry out private sector training, and becomes a pool of funds to support specific project objectives, and training interventions need to be determined within the context of project priorities. On the other hand, there is a broad range of management and professional skills that are underdeveloped in Nepal; training interventions to fill these skill gaps may not fit within existing project designs. The DTP is the only mechanism available to the Mission for activities such as developing local training capacities or upgrading management training capabilities in existing educational institutions that do not fit within the more limited focus and objectives of the specific projects. In addition, responding to the demand for training by the private sector may require a more loosely structured program that allows the flexibility to design training interventions that meet actual demand.

Below are several objectives to consider for private sector training through the DTP:

1. **Emphasize project-oriented training.**

Increased training through existing projects would combine technical assistance and training within the context of a structured project which has clear objectives and monitoring and evaluation criteria. As such, training would better fit within a work environment where new skills can be applied and adapted to productive enterprise.

2. **Stimulate local demand for training.**

The actual demand for training by the private sector remains unclear. One important objective could be to stimulate local demand for training through a series of pilot projects, marketing initiatives, and more specific training assessments in order to detect the actual local demand, and willingness to pay for training.

3. Build a local training capability.

USAID/Nepal could build a local capability to deliver quality training services that respond to training demand. Currently, the quality of training services is so poor that it is difficult for local private firms to value training or appreciate how it can increase efficiency and productivity.

4. Respond to targets of opportunity and reduce supply-driven training.

Nepal already has experienced an overabundance of training financed by the foreign donor community. Continuation of donor-financed and driven training will not solve, but will probably exacerbate, many of the constraints discussed in previous chapters. If nothing else, USAID would serve Nepal well by reducing the levels of training by responding to targets of opportunity that clearly arise from actual demand for training.

These objectives are complementary and mutually reinforcing. USAID/Nepal can give different emphases to each objective by placing greater resources through the DTP on the preferred objectives. Selection of and emphasis on some combination of these objectives will also influence how the DTP should be managed.

The next chapter provides an approach for the five-year training plan, with recommendations for funding levels for each of these training objectives and suggestions for management of the DTP.

Chapter 7

RECOMMENDATIONS FOR A FIVE-YEAR TRAINING PLAN

This chapter outlines a recommended course of action for USAID/Nepal's private sector training program during the next five years. Most of this discussion focuses on the role and objectives of the Development Training Project (DTP), and the management issues associated with this project.

This discussion on the five-year training plan is informed by the discussion in Chapter 6 concerning issues and objectives to consider in devising a private sector training strategy. The team recommends that USAID/Nepal give priority to local training capacity building and to in-country training that is substantive and tailored to specific needs. The training should be geared to managers to assist in the transition to a liberalized economy, and be guided by equity concerns. Also, training should be focused on high priority subsectors.

Two sets of recommendations are presented here. The first two are termed cross-cutting recommendations, because they regroup the salient recommendations discussed in Chapter 6 into two guiding themes for project implementation: leveraging training resources and interventions and gender concerns. The assessment team then proposes four operational recommendations that reflect, and elaborate upon, the other recommendations and issues outlined in Chapter 6: to emphasize project-oriented training, stimulate local demand for training, build a local management training capacity, and respond to targets of opportunity. These four recommendations are prioritized in terms of suggested levels of financial support. Finally, recommendations on the management of the training program are presented.

A. Recommendations on Cross-Cutting Issues

Two important cross-cutting issues should be incorporated into USAID/Nepal's training strategy: (1) leveraging training resources, and (2) incorporating gender considerations.

1. Leveraging Training Interventions

USAID/Nepal needs to concentrate on interventions that produce leverage. Leverage implies that benefits will go beyond the one-on-one training typical of participant training programs to promote a multiplier effect. This objective is particularly important given the limited resources available for training supported by USAID compared to the vast need for human resource development in the private sector.

USAID can expand the benefits of training beyond the immediate target groups with the following kinds of interventions:

Target Managers as Key Beneficiaries. Training should target managers or business entrepreneurs who influence the firm's culture or environment that affects mid-level managers, professionals, and skilled and unskilled labor. Personnel or labor management and leadership training in particular can improve the employee's incentive structure, productivity, relationships with management, gender sensitivity, and, ultimately, loyalty to the firm.

Promote the Benefits of Training. The copycat mentality so prevalent in Nepal should be exploited by targeted interventions that have a demonstration effect. Firms will be quick to copy successful management techniques or new marketing strategies that increase profitability, efficiency and sales. Training providers should learn and employ marketing techniques that spread the good news of training successes.

Adapt Successful Training Modules to Various Sectors and Regions. Most of the firms in Nepal face similar challenges and require comparable skills to resolve shared problems and constraints. Training modules for specific topics of marketing, management, finance, and other areas should be developed for the Nepalese environment. These modules can then be customized for training interventions for identified groups of firms in sectors that face specific problems and constraints. Some economies of scale will maximize limited resources and improve the quality of training delivery with experience across sectors.

Charge a Fee for Training Services. The only way to test the private sector's demand for training is to charge a fee for services. Firms, such as the larger family houses, that do not need to have training subsidized can still access top quality services through USAID-subsidized training providers at full fees. Such spinoffs will allow the wealthier firms to have access to quality training services, and expand resources for training in the country.

Subsector Level Interventions. Research conducted by AID's GEMINI project on micro-enterprise development programs has generally found that interventions providing standardized training to individuals from disparate economic sectors is both high cost and low impact. The most effective interventions appear to be those that work with several firms within the same industry, combining training, technical assistance and financial resources, to meet specifically identified rather than general problems.

2. Integrating Gender Considerations

The Mission's goal for the DTP is for women to comprise a minimum of 35 percent of the trainees. As pointed out in previous chapters, women do, indeed, have less education and lower skill levels than men in Nepal, due both to the educational system and general cultural constraints, but there are other major barriers to upward mobility and advancement for women in the private sector which are unrelated to their educational and skill levels. These barriers are cultural in nature, and cannot be effectively overcome solely through training programs for women. Nevertheless, there are ways in which the DTP and the training components of individual projects can be tailored to increase the benefits to women.

Although the key strategy proposed for the DTP is to follow a demand-led approach, training for 'gender issues' is unlikely to be a demand-driven activity. Training directed specifically to women and/or training modules examining the roles of men and women in the workplace and the barriers for women will occur only if they are required as part of donor-funded training programs. USAID/Nepal needs to place special emphasis on incorporating gender issues in both content- and process-oriented training programs. Gender issues need to be integrated into the overall training effort and strategy. Some guidelines for doing this effectively within DTP are outlined below.

Train trainers to be aware of the importance of gender roles in business. There is a dearth of good trainers in Nepal, particularly trainers who are aware of the importance of gender segregation in workplaces and of other limits to opportunities particular to women. Providing gender-related training and materials to these trainers is crucial to incorporating gender issues in local training programs.

Use Gender-sensitive Training Materials. Training modules under DTP should use training materials that address gender issues. These include case studies where women are the CEOs or in senior management positions; cases which address personnel management/gender-specific constraints such as harassment on the job, need for flexibility in schedules, unequal pay; and those which demonstrate increased productivity and profitability from programs directed to issues that affect men and women workers differently. The pedagogical objective is to sensitize traditional businessmen to such considerations, and to demonstrate the relationship between their roles and changes in women's roles in business.

Award Contracts on the Basis of Approach to Integrating Gender Considerations. USAID/Nepal should request all contractors and service providers under DTP to devise strategies for integrating women and gender issues in training programs, and use the quality of proposed strategies as a selection criteria for awarding contracts.

Select Prominent Businesswomen to Participate in Training as Instructors/Speakers. Prominent businesswomen should be selected as guest speakers/instructors of the training programs, not necessarily on gender concerns, but on technical subject matters; such as financial management, personnel management, etc. The idea is to break male stereo-types of gender roles, and have these women serve as role models for other women.

Target Training to Sectors with High Female Participation Rates and to Non-traditional Sectors. Sector-specific training efforts should target sectors where women are concentrated, such as carpets and garments. Another strategy is to train women in non-traditional areas which are not yet 'gender-dominated.' According to WEAN, and prominent business women, agribusiness, cut flowers and tourism are sectors with high investment and employment potential for women entrepreneurs and workers. Women are more concentrated in small- and micro- scale enterprises, as owners and operators, than in the 'formal' wage-earning sector. Programs that concentrate on small business development -- especially micro-enterprise programs with a training component -- are far more likely to benefit women than general skill-development programs. The greatest potential for training women, therefore, lies in non-traditional occupations and in helping women establish their own businesses.

Conduct some Training Sessions only for Women. Careful selection of trainees by skill, educational, professional and other levels as recommended above suggests that training for women initially should be conducted separately from men, since women have less marketable skills and qualifications relative to men in Nepal. Separate training for women may include sessions on public speaking and confidence-building.

Work with women's associations. There are women-specific business associations and other organizations that represent an opportunity to target training specifically for professional and business-oriented women. These include the Women Entrepreneurs Association of Nepal (WEAN) and the Professional and Business Women's Association (PBWA). To the extent that these institutions are included in those activities designed to develop and respond to local training demands, these provide a good vehicle for reaching women.

Schedule training sessions appropriately. Given their household and childcare responsibilities, women often have limited time and restricted hours for participating in training programs. To reach women effectively, training programs need to take these scheduling issues into consideration.

B. Operational Recommendations

Based on the findings discussed in previous chapters, the assessment team recommends that USAID/Nepal allocate its private sector training resources as follows during the next five years:

- Provide most training within the context of a project, with limited flexible resources to respond to targets of opportunity or further non-project objectives;
- Stimulate local demand -- contract with one or more local training/consulting firms to work with industry subsectors to identify and articulate training needs, to build a "demand" for quality training services, and to plan and "broker" training services;
- Provide limited funding to support development of quality local training services in established educational or training institutes; and

- Utilize a small portion of the DTP's private sector training budget to respond to ad hoc requests for training and targets of opportunity that fit within the Mission's three broad objectives.

In carrying out this training program the Mission should concentrate primarily on management training, and on building a demand for trained manpower in progressive-oriented enterprises, rather than on trying to target and meet specific skill training requirements. Furthermore, as pointed out in previous chapters, to maximize impact the Mission should concentrate its focus on subsectors that have a strong growth potential or compelling economic motivation to become more competitive.

1. Provide Project-Oriented Training

To the extent possible, USAID/Nepal should conduct most training through existing projects, as this assures that training will be carried out in the context of an environment in which the skills learned can be used. Training provided through projects allows the training to be tailored to the specific needs of the beneficiary group, and permits USAID/Nepal to identify and provide complementary resources to address other constraints that limit the effectiveness of training.

USAID/Nepal already implements a substantial portion of its training program through projects, as nearly two-thirds of the funds earmarked for private sector training is contained within the training components of individual projects (see Table 1).¹

Development Training Project	
New Funds	\$1,917,300
Reprogrammed Funds	500,000

	\$2,417,300
Individual Projects	
Economic Liberalization	\$1,258,000
Agroenterprise and Technology Systems	200,000
Others (estimated)	2,750,000

	\$4,008,000
	=====
Total	\$6,425,300

To be most effective, most of the training funded by the DTP itself should also be programmed to complement these project-specific activities and objectives. This is especially important for the Child

¹Data provided by USAID/Nepal Training Officer. "Other" category is based on an estimated 10 percent of the budget of each project allocated to training, with 50 percent of the training portion earmarked for the private sector.

Survival and Family Planning Services project, where nearly all current training funds are planned for public sector health activities, and for the Agroenterprise Technology Systems Project, which has only a limited private sector training budget. In both cases, the DTP can be structured to complement project-specific training activities and increase the impact on private sector participants.

Other options for the DTP include:

- supporting audiences that are not included within the strategic audience of the specific projects;
- concentrating training on a more general objective or problem than can be covered by a project; or
- managing participant training -- developing specific study programs in Asia or the U.S. -- leaving local training as a responsibility of the individual projects.

The team recommends that approximately 40 percent (nearly \$1.0 million) of the DTP's private sector training funds be directly planned to support active USAID/Nepal project objectives during the next five years.

2. Stimulate Local Demand for Training

Traditional donor-supported training in Nepal has introduced serious distortions into the training environment. This has been "supply side" training, with the donor programs planning and offering courses based on their own perception of local needs. Since the training has not been a response to local demand, the donors have often resorted to offering stipends to induce participation. As a result, attending courses has become fashionable in Nepal, but the effectiveness of training is reduced by the generality of the training topics and the absence of a business culture that values and makes use of the skills developed. Generalized training provided to individual entrepreneurs is less effective in stimulating changes in business practices or in resolving problems and issues facing the trainees.

One way to avoid this problem is to focus training on clearly identified problems that all members of the training group face; subsector-specific training provides an efficient mechanism for transferring skills that are adopted and applied by the trainees.

USAID/Nepal's private sector training program should organize the training to address subsector issues -- planning training sessions to include participants from a single industry subsector. These training activities should be directed toward supporting subsectors that have high potential for growth, are strategically important and likely to be adversely affected by liberalization, utilize local inputs, are export oriented, and generate employment for Nepalis. These are firms that are most likely to recognize the need to improve the quality of personnel, and to adopt the value structure necessary to make effective use of improved skills.

The large number of associations and private groupings in Nepal provides a natural forum for channeling training to groups of businesses with similar interests and concerns. Training under the

Economic Liberalization Project contemplates building training programs through the chambers of commerce and industry associations.

The embryonic status of these organizations, and the fact that few of them have experience in providing services to their members, limit their ability to articulate training needs, and to serve as conduits for effective training interventions. Similarly, respondents to interviews and the survey for this study had difficulty articulating problems facing the industry in terms of the need for training or skills development. The demand for such services needs to be stimulated and articulated for this to become an effective mechanism for channeling training services to the private sector.

USAID/Nepal's approach should be to first identify key problems or skill requirements, and then develop targeted training programs to address those issues. The problem is that private sector entrepreneurs find it difficult to identify training requirements in terms of solving problems. Identifying and articulating training needs must be an important ingredient in developing demand-driven training programs. This can be accomplished in the context of a subsector orientation. Rather than conduct needs assessments, a local firm or consultant would work with the members of an industry association to identify one or two key problems that the group -- individually and jointly -- needs to resolve. The institution or consultant would then help the group plan and prepare a proposal for a very specific training course to address those problems. The plan would include financing, and a commitment by the members of the group to participate in the training. Because the members of the group had participated in both identifying the problem and planning the training response, the effective demand for the course -- which has been noticeably absent from most training interventions - - should be increased. This approach would have the effective of developing a demand for the courses and increasing the likelihood that the beneficiaries would be willing to pay for the training.

Ideally, establishing a training environment through the DTP in which private training firms provide the training services demanded by local firms and business organizations will correct the supply-driven nature of training in Nepal. To develop this environment, USAID/Nepal should contract with one or more local training institutes, or consulting firms that provide training, to:

- Work with local associations, business groups or other subsector representatives (a local counterpart) to identify and articulate major problems that can be addressed through training interventions;
- Develop, in collaboration with the local counterpart, a training proposal that (a) identifies the specific objectives, participants and training requirements; (b) identifies specific training resources required to meet the training objectives -- including technical resources from the U.S. or third countries; and (c) presents a schedule and budget for the training activities; and
- Facilitate the actual training course.

In summary, USAID/NEPAL's training program should, to the extent possible, stimulate and respond to local demands and identified needs. It should be "demand-driven" training that encourages local firms and industry groups to identify and articulate training needs. As much as 30 percent of the funds of the DTP should be directed toward working with associations to stimulate a demand for common training programs among groups of businesses with similar interests, concerns and problems. This would target training toward resolving specific problems identified by private sector groups and individual firms.

3. Build a Local Management Training Capacity

A relatively small amount of funds (a maximum of 20 percent of the total funds available for private sector training) should be allocated to building an on-going, private sector management training capacity in this country. This effort could work with either an existing educational institution (such as NASC or the proposed Kathmandu University), or through an autonomous training/consulting institute such as HURDEC or MTRC.

USAID/Nepal's role would be to help the selected institution(s) develop a curricula and the staff needed to provide high-quality services, and to support training scholarships for participants. Short-term technical expertise -- in the form of Fulbright scholars, IESC volunteers, the U.S. organization contracted for U.S. and regional participant training, or others -- could help develop the staff and curricula. Although USAID/Nepal is justifiably reluctant to undertake major construction or facilities development activities, it should be prepared to assist with renovation of facilities, minor commodities and budget support to help the institution(s) demonstrate, from the outset, high quality training services.

The most effective way to stimulate appropriate local demand for training is through demonstration of quality programs and effectiveness of training. Any training program should have to pass the litmus test of whether people will pay for it, after trial.

Given the lack of existing training programs which could pass this test, USAID/Nepal should invest funds to assist local training institutions to develop and offer on a pilot basis high quality demand-driven training courses to specifically targeted audiences. As outlined in the previous chapter, USAID/Nepal could issue a RFP for local firms to provide quality training services. The RFP should request the firms to submit a plan for conducting a hypothetical workshop.

The criteria to evaluate the quality of services should be the following:

Clear Objectives. The training intervention should have a clear, specific objective that responds to the needs of the participants. Every phase of training should strive to address that objective. The objective will influence the length of the training course and the kinds of trainees selected.

Customized to the Needs of the Trainees. Preparation interviews with trainees and their supervisors should clarify the needs and the environment in which skills acquired during training will be implemented. It is critical that supervisors of trainees agree and understand the problems to be resolved through training. Training must be designed to address the specific problems the firm encounters.

Simple, Practical Training Materials. Firms are interested in case studies and specific examples if they are appropriate to their business environment. In principle, training should strive to bring the problems of the trainees' firms into the classroom, or take the classroom to the firms.

Appropriate Trainees. Gender, age, education, experience, position in the firm, and skill level are important considerations in selection of trainees to ensure relative equality among trainees. Courses have often failed or been less useful because of disparity of trainees.

Appropriate Trainer. The trainer must be knowledgeable about the subject matter, the industry, and the local/regional business culture. Trainees should have confidence that the trainer understands their problems and speaks with authority and from experience.

A Practical Training Schedule. The training course must accommodate to the trainees schedule. In general, short, intensive courses are preferred. Many entrepreneurs prefer training between 8 and 10 am, or 5 to 7 pm, so that they can still attend to their businesses during the normal work day. This may be particularly important for small businesses that rely on one entrepreneur, or for women entrepreneurs, who often juggle household and business responsibilities. Also, some businesses have slower calendar periods when firms are more willing to participate in training courses.

Follow-up Training and Troubleshooting. One of the biggest shortcomings of existing training programs is the lack of follow-up. Trainees would like the opportunity to try out their newly acquired skills or techniques and have a forum for troubleshooting recurring problems that training did not resolve. Follow-up training is an essential part of successful skills acquisition.

DTP funds could support the following activities in order to develop quality training services:

Training of Trainers. Trainers should learn how to conduct training needs assessments at the firm and organization level; design courses to respond to identified needs; select appropriate trainees; identify the technical and training resources to successfully implement training; match needs with the cost and willingness to pay for training; and schedule courses that meet the trainees needs.

Accessing Local and International Resources. The key to successful training will be to broker the training process by matching appropriate technical and training resources with skill needs. Bringing in desired and reputable resources will increase credibility of training. Training providers should learn how to access resources within Nepal, and from regional countries and the United States. Resources include technical specialists, training manuals and literature. Trainers also should learn how to adapt these resources to the Nepalese environment.

Marketing Training Services. Training providers will have to learn how to market their services to identify firms that want training and to develop customized services. Successful marketing will require knowledge about the targeted industry or industries and their representative organizations. Clients need to feel that their interests and needs are understood and appropriately responded to.

Management of Training Services. All of the above activities will have to be managed by the training provider to ensure quality control. Management capacity will have to grow as demands for training increase. Training providers should operate as private enterprises that are profitable and competitive. A private sector training provider is more likely to understand and communicate effectively with private clients.

As a note of caution, this pilot effort of developing quality products to test the market is in effect a way to gauge market demand for such services. USAID/Nepal should be willing to concede that perhaps there is not enough demand to run these on a self-sustaining basis, after a trial pilot effort of two years. The litmus test should be the willingness of the private sector to pay for these services after the trial period to which they were exposed to the services funded by USAID/Nepal.

4. Respond to Targets of Opportunity

A limited amount of funds (around 10 percent of the private sector funds programmed through the DTP) should be used to respond to ad hoc requests for training and respond to targets of opportunity. Such training responses should follow the same quality standards and management guidelines described above.

The DTP has traditionally been a flexible project, allowing the Mission to respond to targets of opportunity with its training program. Although this is less effective than training provided within the context of projects, USAID/Nepal will undoubtedly want to retain some funds for this purpose. The DTP can be used to respond to innovative training requests by individual private sector groups that request assistance in meeting specific human resource development objectives; it can be used to finance individual participant training in the U.S. or third countries; and it can be used to provide specific training for individuals and organizations that are not included in project training under the specific projects.

C. Management of the Training Program

The proposed private sector training program is a large program. The \$6.4 million targeted for private sector training could fund an estimated 107 M.A. degree programs in the U.S. (22 per year), or 257 M.A. programs in regional training institutions (51 per year). If, on the other hand, all of the funds were devoted to local training courses, the \$6.4 million could fund 1,300 two-week training courses using local trainers and facilities (260 courses per year, or an average of five new courses per week), or about 300 two-week training using external training resources (60 courses per year).

Operating such a large, demand-driven training program will require a proactive management style and extensive oversight. Identifying needs, planning training programs, and implementing a massive local training activity is labor intensive. USAID/Nepal is in the process of reducing staff, and is concentrating on reducing the management burden of its projects. As a result, it is unlikely to have the staff necessary to manage a major training program internally. Other USAID divisions expressed dissatisfaction with the ability of the training office to support existing training activities; managing an expanded program with fewer staff members will be even more difficult. Management capability, therefore, must be a major consideration in the planning of the Mission's five-year training program.

All projects except DTP, Rapti Project, Economic Liberalization, and some parts of the Democracy Project have contractors who administer project training. All projects have some training, in addition to that included in individual project training plans, managed by DTP training. Since private sector training is a new component of the DTP, and not of other Mission projects, private sector training for all projects (which will be in addition to training already programmed under the projects) will be managed under DTP.

Managing the portions of the DTP that support active Mission projects will require active in-house management. This is not something that can be easily contracted to an external firm or individual,

because it will require continuous interaction with the USAID/Nepal project managers and contract project teams to identify training needs and opportunities and plan responsive training activities. The Mission will need to have a full-time training officer (either a PSC or a local hire) if project-specific training is to play a major role in the Mission's training program. This individual might be able to manage other components of the overall training program as well.

Considerations for local management of DTP activities include:

- A contract with a local firm or individual to manage the local training component, so that USAID will be relieved of the administrative burden of managing the detailed planning and implementation.
- Issue an "IQC" or "buy-in" type contract with one or more local consulting/training institutions that have the capability of managing and delivering quality training services.
- A combination of the two approaches to have a contractor manage one or more local subcontracts to plan and deliver training services.

In all three cases USAID/Nepal's training officer would retain oversight responsibilities.

USAID/Nepal could contract training development, brokering and management to a local contractor or one or more local institutions, that develop -- in collaboration with industry-specific trade associations, chambers, "houses" or others -- customized training programs that respond to specific local requirements. In contracting local training services, USAID/Nepal's RFP language should instruct offerors to provide sample designs of customized training programs, strategies to address gender issues and to increase women's participation, and budget information. A small "core" grant would be made available to the contractor or training institutions to help them work with potential private sector groups to identify specific training programs that would benefit the members of those groups, and prepare brief training plans for submission to USAID/Nepal for incremental funding. The contractor or institution would not necessarily do the training, but would be responsible for identifying the technical resources required for the course, and would act as a broker and local facilitator of the training effort.

There is the potential for duplication of training activities because some offices in USAID will be scheduling projects independently. The delicate balance of supply and demand of training services that will be influenced by USAID training interventions can be more carefully monitored if all scheduling of training activities through local firms is coordinated through DTP. Such coordination will reduce the potential of overburdening one or two local training firms that are already thin in their capability, thereby preserving high standards of quality training services.

In addition to local management of DTP activities, USAID/Nepal should consider the possibility of contracting with a U.S. firm or organization to further enhance the management capability of the DTP. There are several areas in which a U.S. institution would provide valuable management input for the DTP:

- Manage the participant training component of the DTP, facilitating non-degree and degree program training activities in the U.S. and regional training institutes for Nepali business organizations, individual entrepreneurs, and other business leaders;

- Support the local management firm, by providing "brokering" services that match technical assistance and expatriate trainers specialized in specific areas with customized training activities designed by the local firm in collaboration with trade associations, chambers of commerce, and groups of firms in particular subsectors; and,
- Deliver technical training support as appropriate to improve the institutional capability of local training firms to deliver quality training services, particularly during the first year of program implementation.

D. Final Considerations

In summary, most of the Mission's private sector training activities should be planned to complement and support project objectives and strategies, as this increases the likelihood that training will take place in a context in which it can be used. This will occur naturally because most of the Mission's training activities are funded through training components of the specific projects. However, even training funded under the DTP should be designed to support these project objectives.

There is a continued need for a flexible mechanism for responding to unanticipated training requests, or to training requests that fall outside of the limited objectives of the specific projects. The DTP is the only mechanism available to the Mission for responding to such requests.

In planning the Mission's training program, USAID/Nepal needs to keep the inherent limitations of the Nepal situation in mind. There is a small audience for training in the country: there are few firms and a relatively small number of potential trainees. There is also a limited training capacity in the country: there are few potential training firms and a relatively small number of trainers. These institutions and individuals are in considerable demand by all of the donor agencies operating in Nepal, not just USAID/Nepal. The ability of the local infrastructure to handle the training load is therefore questionable. Finally, the ability of USAID/Nepal to plan, manage and implement the training program is limited due to planned reductions in the size of the staff. The proposed training program is very large. Whether or not it can be carried out in the face of these limitations is questionable.

Annex A

GLOSSARY

ADB	- Asian Development Bank
ADB/N	- Agriculture Development Bank/Nepal
AEC	- Agro-enterprise Center
AED	- Academy for Educational Development
AERP	- Agricultural Extension and Research Project
AIC	- Agriculture Inputs Corporation
APROSC	- Agricultural Projects Services Center
ARPP	- Agricultural Research and Production Project
ATP	- Annual Training Plan
ATSP	- Agroenterprise Technology Systems Project
AVSC	- Association for Voluntary Surgical Contraception
BPWC	- Business and Professional Women's Club
C-BIRD	- Community Based Integrated Rural Development
CARE	- Cooperative for American Relief Everywhere
CEDA	- Center for Economic Development and Administration
CEDPA	- Centre for Economic Development and Population Activities
CERID	- Centre for Educational Research, Innovation and Development
CRS	- Contraceptive Retail Sales
CS/FPS	- Child Survival/Family Planning Services
CWD	- Centre for Women and Development
DANIDA	- Danish International Development Agency
DPI	- Democratic Pluralism Initiative
DTP	- Development Training Project (USAID/Nepal)
EDI	- Economic Development Institute
EEC	- European Economic Community
ESC	- Export Services Centre
FDP	- Forestry Development Project
FINIDA	- Finland International Development Agency
FNCCI	- Federation of Nepal Chambers of Commerce and Industry
FP/MCH	- Family Planning/Maternal Child Health
FPIA	- Family Planning International Assistance
FRP	- Forestry Research Project
GATT	- General Agreement on Trade and Tariffs
GDP	- Gross Domestic Product
GON	- Government of Nepal; also HMG, or HMG/N
GTZ	- German Agency for Technical Assistance
HMG/N	- His Majesty's Government of Nepal

HMG	- His Majesty's Government -- the Government of Nepal; also GON or HMG/N
HMTTC	- Hotel Management and Tourism Training Centre
HURDEC	- Human Resource Development Centre
IBRD	- International Bank for Reconstruction and Development
ICRW	- International Center for Research on Women
IDA	- International Development Association
IDRC	- International Development Research Center
IEES	- Improving the Efficiency of Education Systems
ILO	- International Labour Organization
IMP	- Irrigation Management Project
JICA	- Japan International Cooperation Agency
KU	- Kathmandu University
MAN	- Management Association of Nepal
MASS	- Management Support Services (P) Ltd.
MOF	- Ministry of Finance
MOI	- Ministry of Industry
NASC	- Nepal Administrative Staff College
NCC	- Nepal Chamber of Commerce
NGO	- Non-Governmental Organization
NPC	- National Planning Commission
NRCS	- Nepal Red Cross Society
NRMP	- Natural Resource Management Project
NRTC	- National Research and Training Centre
NWA	- Nepal Women's Association
NWO	- Nepal Women's Organization
PCRW	- Production Credit for Rural Women
PIET	- Partners for International Education and Training
PTMS	- Participant Training Management System
PVO	- Private Voluntary Organization
Redd Barna	- Save the Children (Norway)
SATA	- Swiss Association for Technical Assistance
SBPP	- Small Business Promotion Project
SCF	- Save the Children Federation
SEARCH	- Service Extension and Action Research for Communities in the Hills
SEC	- Security Exchange Commission
SSNCC	- Social Services National Coordination Council
TAF	- The Asia Foundation
TNA	- Training Needs Assessment
TRUGA	- Training for Rural Gainful Activities
TU	- Tribhuvan University
UMN	- United Mission to Nepal
UNDP	- United Nations Development Programme
UNFPA	- United Nations Fund for Population Activities
UNICEF	- United Nations Children's Educational Fund
UNIDO	- United Nations Industrial Development Organization
USAID/N	- United States AID Mission to Nepal; also USAID, or USAID/Nepal
USEF	- United States Education Foundation
USIS	- United States Information Service

- VDC** - **Village Development Committee**
- WB** - **World Bank; popular name for the International Bank for Reconstruction and Development, or IBRD**
- WEAN** - **Women Entrepreneurs Association of Nepal**
- WI** - **Winrock International**
- WID** - **Women in Development**
- WTC** - **Women's Training Centre**

Annex B

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Basant Man Shakya, Proprietor, Basant Handicrafts
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Purna Sthapit, Manager, Purna Wood Carving Industries
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Pavan Chawla, Managing Director, Sun Apparels
Tenzin Choegyal, Managing Director, Nepal Carpet Enterprises
Shyam B. Panday, Chairman, Hotel Shangri-la
Chandi Raj Dhakal, Managing Director, Krishna Garment Industries (P) Ltd.
Maggie Shah, Chairperson, Surya Silks, Pvt. Ltd.
V.K. Shah, Jawalakhel Distillery Pvt. Ltd.
Kishore Khanal, Managing Director, Nepothene Group
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Annex C

SCOPE OF WORK

Nepal: Private Sector Training Needs Assessment

Background

USAID/Nepal has initiated a new strategy for development assistance, whereby all new activities will concentrate on working toward the following objectives: (1) increasing incomes through market-led, sustainable rural enterprise; (2) improving child survival and family planning services; and (3) increasing Nepal's development potential through economic liberalization and democratization. All new training activities will also focus on these objectives, by strengthening human resource capabilities for operating commercial enterprises, providing health care delivery services, for using economic opportunities, and for participating in Nepal's democratic processes.

New training activities will be initiated in future projects and amendments to the Development Training Project (367-0152). The Development Training Project (DTP) has been a basically unfocused effort to increase governmental institutional capabilities and provide training to the private sector on an ad hoc basis. The assessment will serve as the basis for a substantively different approach, one where training is directed towards achievement of the Mission's stated objectives. New projects include Agroenterprise Technology Systems (367-0160), Economic Liberalization (367-0161), and Democratization (in design). These projects already have their training components targeted at those sectors related to the Mission's principal objectives.

Women in Development has been identified as a cross-cutting issue for all A.I.D. programs and strategic objectives. The private sector training needs assessment affords USAID/Nepal the opportunity to integrate gender considerations into the core of its programs and new development assistance strategy. By explicitly taking account of men's and women's actual and potential roles in the labor market, a training program can be designed to incorporate the distinct needs of men and women while meeting the Mission's strategic objectives and the private sector's human resource requirements.

Objectives

Within the parameters of the Mission's three objectives and related program focus, the Private Sector Training Needs Assessment shall provide:

- A general overview of private sector human resource skill requirements for rural and urban commercial enterprises, health care delivery systems, democratic political systems, basic economic liberalization, and agroenterprise operations;
- A determination of adjustments required for USAID's Development Training Project and necessary strategy(ies) for implementation;
- An analysis of the current available training institutions and their ability to provide training in the Mission's focus areas; and
- A preliminary Mission five year country training plan.

The assessment will provide USAID/NEPAL with guidance valuable for future direction of the overall training program, information useful for determining national skill requirements in certain sectors, and analysis of U.S., regional, and local training capabilities. It will provide a foundation to balance access to training for men and women and to broaden the employment options for women.

Scope of Work

Working closely with Mission training officers and Project Managers, the Assessment Team/Contractor shall determine gender unique skill needs in selected sectors within Nepal's private sector, analyze local institutional training capabilities, and provide guidance for the redesign of USAID/Nepal's private sector training program.

The methodology for accomplishing these tasks shall include the following:

1. By the contractor, study and understanding, through interview and document review, of A.I.D. and Bureau training directives and policy, using gender disaggregated analysis, and USAID/Nepal's current assistance program and training activities as presently operating.
2. Review of national institutional training programs and capabilities through a literature, search, interviews and observations (within Kathmandu and selected regions), with particular attention to historical differences in approaches in training for men and women, and proportion of men and women trainers on the staff;
3. Study of literature for training institutions in the U.S. and region, with particular attention to historical differences in approaches in training for men and women, with programs relevant to USAID/Nepal's overall objectives;

4. Interviews and observations with Nepalis involved with commerce, agroenterprise, with private health delivery enterprises, political institutions and special interest groups, and with groups that represent and support the general business community.
5. Gender disaggregated study and analysis of understanding the occupational breakdown in key economic activities between men and women in key economic activities in the public and private sectors, especially commerce, agroenterprise, and health delivery enterprises, and its relationship to skill levels, potential for mobility, and opportunities for employment as growth occurs.

Using this methodology, the contractor shall conduct the following activities.

The team will interview appropriate officers from at least five chambers of commerce (at least two outside Kathmandu Valley), five trade associations, twenty large and medium size business enterprises, thirty rural enterprises, key government ministries, financial institutions, training institutions, and donor agencies involved in private sector skill development. Chambers of commerce will include the F.N.C.C.I., Nepal Chamber of Commerce, Lalitpur Chamber and two others. Trade associations will include the Hotel Association, Garment Association, Carpet Association, Trekking Association, Handicraft Association, Seed Entrepreneurs Association of Nepal, and Poultry Association. Businesses (larger) should include firms with national markets and import/export requirements or potential. Rural enterprises (mainly micro-enterprises) should include agriculture input supply houses, agriculture product processing and marketing firms, transport companies, public markets, PVO's, rural credit institutions, rural entrepreneurs, etc... Key government ministries include Finance, Commerce, Industry, Nepal Industrial Development Corporation, and Export Promotion Centre. For democracy-related training needs, approaches will be made to PVOs (Asia Foundation, SCOPE, SEARCH, LEADERS, Nepal Law Society, Women in Environment, and the Center for Women and Development), Parliamentary Secretariat, political parties, the women's business and professional association, and the Nepal Press Institute. Financial institutions should include commercial banks, insurance companies, and the Security Exchange Centre. In the area of health care, contact should be made with active donors (USAID, UNICEF, WHO, UNFPA, JICA, Red Cross), pharmacists, health practitioners, PVOs (SCF, UMN, Plan, CEDPA, Redd Barna), and the Ministry of Health. Training centers include the Small Business Promotion Project, Management Association of Nepal, Staff Training College, Export Promotion Center. Donors include the UN Group, World Bank, GTZ, India, Canada, Scandinavia, Japan and the U.K. These organizations must be involved in one of the following areas: commerce, health care delivery, agroindustry, democratic initiatives, and economic liberalization. Interviews will be carried out which cover, amongst others, the following questions:

- a. What are the perceptions of strengths and weaknesses within the firm or institution in terms of management, technical skills, professional requirements? Are these skills available outside the firm? Do skill differences for men or women pose a barrier to mobility within the firm or institution? What is the perception of needs on a national level for skills development during the next five years?
- b. What kinds of programs are being used to increase required skills both "in-house" and available in the market place? To what extent are they used? How could

participation in such programs be financed? What would these programs look like? Are there specific incentives (or disincentives) to investing in managerial or technical skills in the firm? Could these programs be used to breakdown occupational segregation by gender in the firm and in the market place?

- c. What are some of the constraints for training programs in Nepal? Low skill base, cost, time, literacy, qualified candidates, barriers and opportunities specific to gender and ethnic/caste groups?
- d. In what areas does the private sector see a need for change in GON policies and programs involving training for the private sector? Are there regulations pertaining to any aspect of private sector training, e.g., establishment of privately operated training institutions, the retention of staff once trained, or reimbursement of training costs, etc., that need revision to make private sector training more effective and more accessible to both men and women?
- e. How should training programs be designed in terms of content, location, duration, cost, and other key factors to maximize participation of both men and women? Are there particular factors like location and scheduling that affect participation by women and certain social groups? Do training institutions have women trainers on staff?
- f. Is the private sector willing to pay for training? If so, how much? Under what circumstances? For which types of training Apprenticeships? Is there interest in the establishment of joint training institutions and/or training programs? Can organizations or institutions be identified that provide a link between training programs and employment, or that recruit for both training and employment? What steps can be taken to balance access to all levels of training, apprenticeships, and recruitment for men and women?
- g. How well does the formal education system (primary, secondary, technical, and university) serve the needs of the particular firm/organization? To what extent does gender segregation in education and differences in achievement levels by gender influence the formal education system's responsiveness to the firm/organization?
- h. What are the special training needs for women in management and technical areas? How could these needs be more effectively addressed? Can training be designed to provide ladders between women's traditional positions and management, sales, and technical areas? What are the special efforts that need to be undertaken to ensure that women have equal access to all levels of training programs? What new opportunities may result from growth in the private sector?
- i. What are the specific handicaps or features that must be considered in developing training programs in a country with low literacy rates?
- j. Are there training needs or opportunities to strengthening private user groups, e.g., irrigation, community forests management, farmers' cooperatives, non-

governmental organizations (e.g., contraceptives retail sales), etc. already targeted by existing Mission projects that can be expanded?

The interviews will use a set of structured questions, but the team should allow respondents to discuss issues and concerns freely and on their own initiatives.

With these interviews and other relevant information, the assessment team shall provide an overall analysis of the skills needed to further develop Nepal's potential for rural business activities, commercial and industrial enterprises, agroenterprise operations, private health care delivery, democratic institutions, and a liberalized economy. The team shall review the capabilities of local training institutions to provide relevant skills training, as well as local firm's in-house capabilities. This will be combined with the information hitherto collected in the US. on U.S. and regional training and on AID training policies.

With these analyses, the team shall then recommend a Mission-wide action plan for training activities over the next five years. The recommendations shall include specific skill areas which should be developed in Nepal to work towards the Mission's overriding objectives, which areas USAID/Nepal should concentrate on within the existing project portfolio and within funding limitations, and which modalities and/or training institutions might be used/developed to undertake selected skills training. Specifically, recommendations shall include the following: (1) development priorities and detailed skills training needs; (2) means of increasing in-country training in targeted area; (3) how women's participation in training programs at all levels and training institutions' willingness to be responsive to women's needs and to hire women trainers can be increased; (4) how the various programs can be promoted and marketed to the private and public sectors; and (5) determination of cost effective training mechanisms and implementation of cost-sharing, sustainable mechanisms.

The assessment and recommendations will serve as the ground work for the Mission's overall training strategy and assist with defining training components of the portfolio.

Team Members

The team shall be composed of three expatriate experts and two Nepalese consultants. The expatriates shall include a Private Sector Training Needs Analyst, a Private Sector Gender Specialist and an Education/Training Needs Specialist. The Nepalese consultants shall include a Private Sector Specialist and a Training Specialist. The expatriate team will have expertise in the following areas: (1) Analysis of private sector needs in developing countries, preferable in Asia; (2) USAID training programs and U.S./regional training institutions; (3) Operation of training projects, especially for the private sector; (4) Asian private sector, preferable Nepal; and (5) Gender analysis of training and private sector programs.

Team members together shall have the following qualifications: graduate degree in education, skills development programs, or the equivalent in work experience; direct work experience with USAID participant training programs in the U.S. and in Asia; and expert level experience and

knowledge of the Nepalese private sector, especially in commerce, gender issues, agribusiness, health care delivery, and the financial sector.

Schedule

The assessment and recommendations shall be prepared approximately 6 weeks after initiation of the assessment. It is expected to take approximately seven and a half person months, assuming two U.S.-based experts and two Nepalese-based experts are used as team members. The final document shall be prepared by the U.S.-based experts. The following time and task schedule has been devised:

- a. U.S. preparation - AID visit, including PIET and CID, document review. (2 days)
- b. Nepal orientation-selection of Nepali team members, review of Mission documents, questionnaire design. (6 days)
- c. Interviews with firms, chambers, associations, Government of Nepal, political entries. (12 days)
- d. Interviews with training institutes and donors supporting private sector training. (12 days)
- e. Synthesis and final report writing, draft in Nepal, final in U.S. (10 days)

Output

By the end of the assessment, the team will provide five copies of the completed report to USAID/Nepal. The report will include analysis of academic and technical skill needs in selected areas of the Nepali private sector and an assessment of potentially suitable training programs in the U.S., Asia, and within Nepal. The report will contain recommendations on restructuring of USAID's training program, through the existing projects, for the next five years.

Annex D

METHODOLOGY

To carry out this private sector training needs assessment, the team employed an integrated research methodology consisting of:

- a document review of A.I.D. and Bureau training directives and policies, gender-disaggregated analysis techniques, and USAID/Nepal's current assistance program and training activities;
- a review of literature and documentation on U.S. and regional training institutions, programs and opportunities;
- a review of national institutional training programs and capabilities through interviews and observations;
- interviews (including a survey administered to owners and managers of 52 Nepalese firms) with Nepalis involved in commerce, agroenterprise, private health delivery enterprises, political institutions and special interest groups, and with groups that represent and support the general business community; and
- an analysis of gender patterns in sectors and the implications of these patterns for skill levels, potential for mobility, and opportunities for employment as growth occurs.

Document Searches

Prior to visiting Nepal, members of the team met with officers from the Agency for International Development and private international training firms to review training policies, guidelines and materials, and on training programs, institutions and materials available in the U.S. In Nepal the team reviewed project papers and other documents on USAID/Nepal projects, collected materials on international, regional, and local training programs sponsored by the United Nations, the Government of India and other international organizations.

Personal Interviews

The principal source of information for the assessment was a series of personal interviews carried out by the three principal team members. After one week of testing the team revised its approach, in order to solicit less biased responses. This involved a change from introducing the team as one conducting a training needs assessment, to one conducting a needs assessment of the private sector. This change encouraged respondents to discuss a broader range of issues and constraints -- including government policies, cultural factors, and economic/financial constraints -- and to provide answers less skewed towards training. Initially presenting the team as a training needs assessment team also created false expectations for receiving training funds, and thus distorted or skewed responses. The approach was to better understand the array of constraints and issues related to private sector development, not just those limited to human resource development issues.

Personal interviews were carried out with Nepalis involved in commerce, agroenterprise, private health delivery organizations, political institutions and special interest groups, and with groups that represent and support the general business community. More than 70 interviews were conducted during the team's four-week stay in Nepal. A complete listing of persons interviewed is included in Appendix B.

Interviews with Private Firms

Between June 1 and June 20 a questionnaire was administered to owners or managers of 52 private firms in Nepal to obtain a basic set of information on training attitudes and practices. The firms were selected from lists provided by the FNCCI and industry trade associations. This does not represent a random sampling, so the data must be treated as illustrative. The survey instrument is included in Appendix E.

Location

Of the 52 firms interviewed, 32 were located in the Kathmandu Valley. The remaining 20 were in Biratnagar, Sunsari-Morang, Birgunj and Pokhara.

Kathmandu Valley	32
Birgunj	3
Biratnagar	5
Sunsari-Morang	6
Pokhara	5
Other	1

Most of the firms (36 of the 52) were located in urban areas, while 16 were classified as "rural" enterprises.

Sector

Most of the firms interviewed were in food processing, leather, carpets, ready-made garments, and textiles. The "other" category included firms in brick-making, canvas shoe manufacturing, ball-point pens, talcum powder and sales.

Leather	8
Carpets	8
Textiles	6
Food Processing	14
Garments	7
Other	9

Although most of these firms were located in the Kathmandu Valley, three of the subsectors (leather, textiles, and food processing) were strongly represented in other areas of the country.

	Kathmandu Valley	Birgunj	Biratnagar	Sunsari Morang	Pokhara	Other
Leather	2	3	1	2	-	-
Carpets	8	-	-	-	-	-
Textiles	2	-	3	-	1	-
Food Processing	8	-	1	3	1	1
Pharmaceutical	2	-	-	-	-	-
Garments	7	-	-	-	-	-
Other	3	-	-	1	3	-

Ownership

Most of the firms interviewed (36 of the 52) were family-owned, or private limited companies. Only 9 were public limited firms. Sole proprietorships, and partnerships comprised only 4 cases.

Personal	3
Private Limited	36
Public Limited	9
Partnership	1
Other	1

Gender Disaggregated Analysis

Both the personal interviews and the questionnaires were disaggregated by gender to permit identification of gender differences in both responses on private sector opportunities, issues and problems and training needs identified by the respondents. The team also sought out women entrepreneurs, managers and workers to identify gender-specific concerns. These names were provided by USAID, and FNCCI. Approximately 10 percent of the total number of interviews, were conducted with women. Three group interviews, each with 10-15 women were conducted with women-specific organizations and their members.

Annex E

PRIVATE SECTOR NEEDS ASSESSMENT

Questionnaire

A. Identification and Classification

1. Interviewer _____ 2. Date _____
3. Name of Firm _____
4. Location (City/town/section) _____
5. Person Interviewed _____
 - 3.a Position in Firm _____
6. In what year was the firm started? _____
7. Type of Company: _____
(Proprietorship, Private Limited, Public Limited, Partnership, etc.)
8. Major Product or Activity
 - 6.a Industry Sector:
9. Location: Rural/Urban
Kathmandu Valley/Other

B. Basic Characteristics

1. Current Number of Full-Time Employees (*please develop a full understanding of how the work is organized in the company, then fill out the following*):

CATEGORY	NUMBER	APPROXIMATE NUMBER OF WOMEN	APPROXIMATE PERCENT THAT IS NEPALI
Executives	_____	_____	_____
Professionals	_____	_____	_____
Clerks/Admin	_____	_____	_____
Technicians	_____	_____	_____
Skilled Workers	_____	_____	_____
Semi-Skilled	_____	_____	_____
Other	_____	_____	_____

2. Where do your major materials and supplies come from? (Imported or domestic, and from which suppliers)
 3. Who (where) do you sell most of your products (services)? (Local or export)
 4. What are your approximate Annual/Monthly Sales? _____
 5. Approximately what percentage of your sales are exported? _____
 6. Approximately what are the total assets of the firm? _____
 7. What are the prospects for your company in the future? Do you think it is going to:
 - a. Grow a lot
 - b. Grow a little
 - c. Stay about the same
 - d. Decline a little
 - e. Decline a lot
- 7.a. Why?

C. Major Problems

1. What is the most important single problem you face in trying to grow and keep your business successful?
2. How important a problem is market size?
 - a. Not a problem
 - b. Major problem
 - c. Minor problem
 - d. Extremely serious problem
3. How important a problem is lack of access to credit (or other financial services)?
 - a. Not a problem
 - b. Major problem
 - c. Minor problem
 - d. Extremely serious problem
4. How important a problem is government regulation, policies or procedures?
 - a. Not a problem
 - b. Major problem
 - c. Minor problem
 - d. Extremely serious problem

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5. How important a problem is lack of ability to find qualified manpower?
 - a. Not a problem
 - b. Major problem
 - c. Minor problem
 - d. Extremely serious problem

D. Major Human Resource Issues

1. When you need to hire someone, is it easy or difficult to find qualified people:

professionals skilled workers
 clerical personnel other workers?
 technicians

2. Does the formal education system (primary, secondary, technical and university) produce people who are qualified to serve the needs of your firm?
3. When you try to hire new staff, what are the major skills or qualifications that you usually feel are lacking, or should be improved?
 - a. professionals:
 - b. clerical:
 - c. technicians:
 - d. skilled workers:
 - e. other workers:
4. How do female applicants compare with male applicants (number, skills, qualifications, deficiencies)?
 - a. professionals:
 - b. clerical:
 - c. technicians:
 - d. skilled workers:
 - e. other workers:

E. Current Training Practices

1. Do you currently provide any in-house training to your professional or worker staff? Describe (type, who, how much, annual budget)
2. Have you sent any of your professional staff, technicians, or workers to local training programs or courses during the past year? Describe (type, who, where, how much, annual budget) How many of these were women?
3. Have you sent any of your professional staff, technicians, or workers to training programs or courses in other countries during the past year? Describe (type, who, where, how much, annual budget). How many of these were women?
4. Are there any special issues, concerns, advantages or disadvantages to providing training for your women employees?

F. Perceived Training Needs

1. Do you think it is important to provide training for your staff? Why/why not?

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2. What kind of training would it be worthwhile for you to provide to your staff? What kinds of skills would you want to develop among your staff and workers?
3. Are there local training programs that you would like to send your staff or workers to? (Describe in detail)
 - 3.a. (If they are not currently sending staff to those) Why aren't you currently sending staff to those courses?
4. What kinds of training programs would you like to see developed (that are not currently available)?
5. Would you be willing to pay for training courses to improve the qualifications of your staff? (Distinguish between categories) How much?
6. Do you promote or otherwise reward people who have received training? (e.g., increase salaries, provide bonuses, etc.)
7. Do you notice any difference in performance, productivity, or attitudes among workers who have received training?

Annex F

LIST OF OTHER BUSINESS/MANAGEMENT TRAINING INSTITUTES IN ASIA

INDONESIA

INSTITUT PENGEMBANGAN MANAJEMEN INDONESIA (IPMI)

Contact Person: Mr.Sjoufjan Awal
Executive Director

INSTITUT PENDIDIKAN DAN PEMBINAAN MANAJEMEN

Contact Person: Dr. Farid Harianto
Director, Graduate Programs

UNIVERSITY OF INDONESIA

Contact Person: Prof. Dr. Moh. Arsjad Anwar
Dean, Faculty of Economics

GADJAH MADA UNIVERSITY

Contact Person: Dr. Soedijono
Dean, Faculty of Economics

MALAYSIA

UNIVERSITY OF MALAYA

Contact Person: Prof. Mohamed Ariff
Dean, Faculty of Economics and Administration

SINGAPORE

NATIONAL UNIVERSITY OF SINGAPORE

Contact Person: Assoc. Prof. Wee Chow Hou
Director, School of Postgraduate Management Studies

THAILAND

**THE SASIN GRADUATE INSTITUTE OF BUSINESS ADMINISTRATION OF
CHULALONGKORN UNIVERSITY**

Contact Person: Prof. Toemsakdi Krishnamra
Director

NATIONAL INSTITUTE OF DEVELOPMENT ADMINISTRATION

Contact Person: Assoc. Prof Nikorn Wattanapanom
Dean, Graduate School of Business Administration

CHULALONGKORN UNIVERSITY

Contact Person: Dr. Suchada Kiranandana
Dean, Faculty of Commerce and Accountancy

THAMMASAT UNIVERSITY

Contact Person: Sanoh Tiyoa
Dean, Faculty of Commerce and Accountancy

HONG KONG

UNIVERSITY OF HONG KONG

Contact Person: Professor S. Gordon Redding
Director, Business School

Annex G

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