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CONCEPT PAPER

PROCUREMENT AND DISTRIBUTION OF U.S. BOOK TITLES  
IN ECONOMICS, BUSINESS, AND RELATED FIELDS

USAID/Regional Mission for Central Asia

Almaty, Kazakhstan

Prepared by Aguirre International

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*Feasibility Study on Private Sector Distribution of Textbooks in Central Asia*

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## **EXECUTIVE SUMMARY**

### **The problem**

Following the breakup of the Soviet Union, the five Central Asian Republics are moving toward democratic governments and free market economies. Yet, neither the current generation of working people nor students--the future leaders and workers--have experienced this kind of political-economic environment and they know little about how to participate in it. This project addresses the lack of information in the Central Asian Republics on market economics, and, more particularly, the need among students, business people, and professionals for books on economics and related subjects.

### **Project design**

The goal of the Central Asian Republic Technical Assistance Center (CARTAC) project is to strengthen the human resources needed to facilitate the transition from a planned to a market economy and to strengthen democratic processes in the five Central Asian Republics.

The purposes of the project are (1) to make quality, up-to-date books in free market economics, business, finance, and related fields available to university students at prices they can afford and to secondary schools, business people, professionals, and educated laymen, and (2) to develop a viable book industry, focusing on market economics and related subjects, English as a second language, and democracy.

The end-of-project status will be an organization, including a coordinating center and a distribution center in each republic, run by local staff and used by local publishers to sell through bookstores textbooks on free market economics and related subjects. While the organization may still need some donor funding for additional years, this need will diminish gradually, and there will be no further need for long-term foreign technical assistance.

The key outputs are over 750,000 books on market economics and related subjects, competent local staff managing the organization, and the financial and operational mechanisms required to purchase and sell books.

The key inputs are five years of U.S. technical assistance, funding to distribution centers in each country for the initial purchase of books, and subcontracts with those organizations to distribute books to bookstores and market them to students and professionals.

### **How the project works**

The proposed project is based on USAID's Regional Technical Assistance Center (RTAC II) project in Latin America. Like RTAC II, CARTAC will help universities in Central Asia organize the demand for books and help publishers respond to the demand through free market mechanisms.

Through the project, USAID makes loans to distributors (wholesalers) to purchase textbooks from publishers in Russia and Central Asia and to sell them through university and other bookstores. Encouraged by the working capital that the project provides to purchase books, Russian and Central Asian negotiate with U.S. publishers to license titles. (The project will deal mainly with U.S. origin titles; however, titles from other countries, particularly in Central Asia, may be included as they become available.)

The local publishers translate, adapt, typeset, and contract with printers to produce books, the numbers of which are based on the estimated quantity demanded by universities, secondary schools, and private bookstores in the Central Asian Republics. Bookstores sell the books at a price set and advertised by CARTAC; they keep an agreed-upon profit margin, and return the base price of the books to the distributor. The distributor deposits revenues into a reflow account for that country. Funds from this account are used to purchase more books the following semester.

As volume increases and the publishing industry becomes viable, the project can become self-sustaining. The project can add a service charge to the cost of the books, at a low rate, to cover the costs of the coordinating center. It can also provide additional services to bookstores, thus adding revenues that help cover operating costs.

### **Implementation**

The project will be implemented by a U.S. contractor, who has a coordinating center in Almaty, an office in Moscow for procuring and shipping Russian publications, and a coordinator in each republic with a distribution center. The distribution centers, which are locally owned and operated organizations, subcontract with the U.S. contractor.

In order to move the project ahead rapidly, it will be implemented in two phases: Phase I runs for six months and covers the detailed planning with the participation of publishers, distribution centers, university faculty, and ministry officials who will be involved in the project. Phase II runs for four and a half years and covers the operations that meet project objectives.

### **Relevant USAID Experience**

USAID has extensive experience in this kind of project in Latin America. The main difference between the situation in Latin America and in Central Asia is that the Central Asian Republics are in the early stages of transition economies, moving away from centrally planned and toward free market economies. They face severe inflation and difficulty in obtaining hard currency, and have far fewer translated titles available in economics and related fields. Yet, unlike Latin America, many of the people are avid readers and enjoy owning books. The strategies used successfully in Latin America, modified to some extent, can work here as well.

## **Analyses**

The concept paper addresses the following issues:

### *Technical considerations*

- Will U.S. publishers support the project?
- How can books be priced so students can afford them?
- How are bookstores prevented from overcharging students?
- How does the project become self-sustaining?
- What is the level of demand for books?
- Will higher-education enrollments remain stable?
- Who will supply books?
- Where will paper come from?
- Can this market-based enterprise be introduced into a transitional economy?
- Can U.S. titles be adapted to meet local conditions?
- Can all five republics participate in the project?

### *Financial considerations*

- Can books be sold at prices students can afford to pay?
- Can costs be recovered given rapid inflation?
- Can local currencies be exchanged for stable currency?

### *Social/Political considerations*

- How will book titles be selected?
- What is the state's role in selecting or approving textbooks?
- Are U.S. copyrights protected in the Central Asian Republics?
- In what language should project books be published?
- Who are the project's primary beneficiaries?
- Will the project affect men differently than women?

### *Administrative considerations*

- What level of U.S long-term technical assistance is appropriate?
- What administrative procedures can be adopted and adapted from RTAC II?
- Can the RTAC II Management Information System (MIS) be adapted to CARTAC?
- Why is an office needed in Moscow?
- What is the best location for the coordinating center?

The findings from these preliminary analyses show that this project is feasible and responds to a strong need in Central Asia. A number of studies must be done in Phase I of the project

**in order to work out the best agreements with participants and to develop a detailed implementation plan. These studies are included as tasks in the implementation plan.**

## **PROJECT DESIGN**

### **Perceived Problem**

Each of the new Central Asian Republics (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) has announced its intent to transform from a centrally planned to a free-market economy. But information on both the theoretical and practical aspects of market economics has, until the last decade, been systematically prohibited in these republics. Thus, the leaders, professionals, business people, and students of market economics in the republics urgently need information about market economy and Western business and management practices with such an economy.

Information on these subjects, however, is hard to get in Central Asia because books of all kinds are in short supply. When the republics severed ties with Russia in 1991, they were cut off from the Soviet infrastructure, including much of the education system and supply of textbooks to primary, secondary, and post-secondary schools. This breakdown was exacerbated in mid-1993 by Russia's creation of a new ruble zone, which prevents most of the Central Asian Republics still using old rubles from freely exchanging currency with Russia and thus making it much more difficult to purchase goods, including books. Thus, a severe problem facing the republics is a lack of a systematic stable of books, and, at the moment, a dearth of books on the market altogether.

These two circumstances--a lack of information on market economics and a halt in the supply of books from Russia--have combined to create a desperate plea from universities, secondary schools, government officials, and professionals for books on market economics, business, management, and related subjects. But most people in the Central Asian Republics know they cannot afford to buy books published in the United States and Europe even if they were available in Central Asia. The protected and highly subsidized Soviet economy operated at costs substantially lower to consumers than those of most other industrialized countries. As a result, books (which are subsidized at about 60 percent) and other consumer goods have sold within the Central Asian Republics for a small fraction of what they would cost in other countries.

In sum, the problem this project addresses is the dire lack of information in the Central Asian Republics on market economics, and, more particularly, the need among students--the region's future leaders, business people, and professionals for books on economics and related subjects.

### **Project Goal, Purpose, Outputs, and Inputs**

The goal of the project is to strengthen the human resources needed to facilitate the transition from a planned to a market economy and to strengthen democratic processes in the five Central Asian Republics.

**The two purposes of the project are:**

To make good quality, up-to-date books in free market economics, business, finance, marketing, and related subjects available to university students at prices they can afford and to secondary schools, business people, professionals, and educated laymen; and

To develop a viable book industry, focusing on market economics and related subjects, English as a second language, and democracy.

**The end-of-project status (EOPS) will include:**

An organization, including a coordinating center and a distribution center in each republic, run by local staff and used by local publishers to sell through bookstores textbooks on free market economics and related subjects. While the organization may still need some donor funding for additional years, this need will diminish gradually, and there will be no further need for long-term foreign technical assistance;

Approximately 75 percent of universities and other relevant institutions participating in the project;

Books selling at affordable prices;

University bookstores serving faculties and student bodies, and private bookstores serving professionals and laymen;

University library collections that include a wide array of books in market economics and related subjects.

**Project outputs will include:**

Approximately 750,000 copies of books sold in CARs;

Approximately 250 titles in market economics and related subjects licensed, translated, published and available in bookstores and libraries in CARs;

Trained local project staff;

Financial mechanisms, including a reflow account for each participating CAR that meets the demand for the continual purchase of books;

Operational mechanisms, including a project-wide computerized, Russian-translation MIS;

Promotional exhibits and program information support materials in participating universities, university bookstores, and other bookstores.

**Project inputs will include:**

**Five years of technical assistance:**

- 5 long-term U.S. technical assistants
- 5 long-term locally hired U.S. Country Coordinators (at Distribution Centers)
- 23 long-term local project staff (HCNs)
- 16 person/months of short-term foreign technical assistance
- 20 person/months of short-term local technical assistance;

5 five-year subcontracts with distribution centers, one in each republic;

Loan of working capital for original purchase of books and establishment of a reflow account in each country;

Funds for warehousing, transportation, and insurance of books;

10 training seminars for project staff;

1 study tour to Latin America for 8 distribution staff and key HCNs;

Office space, equipment (vehicles, computers, furniture, etc.);

MIS developed by RTAC II in Latin America (pending USAID approval) and funds for adoption and translation;

Funds for audit reviews and project evaluations.

The project is planned for a five-year period. The Preliminary Logical Framework detailing the project goal, purpose, outputs and inputs is contained in attachment A.

## **CONFORMITY WITH HOST COUNTRY AND USAID GOALS AND STRATEGIES**

### **The Central Asian Republics**

The five republics, like Russia and other Newly Independent States (NIS), are in transition from centrally planned to market economies. Each has its own strategy for moving in this direction. Kazakhstan, for example, is tying itself to the Russian transition program. Uzbekistan is taking a more conservative approach, maintaining many of the features of central planning for a longer period of time. But in every country, the government's economic program is undergoing major changes.

Institutes of higher education in Central Asia are now teaching market economics and Western business and marketing principles and methods. Administrators and faculty in the key economics training institutes in these countries express their urgent need for textbooks in these subjects. In addition, they stress that not only students need books, but also those who never learned about market economics in school and are now in the work place, attempting to make the transition to a market economy. Finally, officials in the ministries of education in Kazakhstan and Uzbekistan have said they intend to introduce a course in market economics in secondary schools to replace what has been taught about Marxist economic theory.

### **USAID/Almaty**

One of the three strategic goals of the USAID/Almaty is to strengthen the market economy and speed the process of privatizing state enterprises. The purpose of this project clearly supports such a goal.

Another strategic goal is to strengthen democratic processes. Although the demand for books on democracy does not seem as strong as that for books on market economics, this project should be able to respond to a wide array of requests for books on Western civics and democratic processes.

The mission is implementing regional activities that lend themselves to cooperative work with this project. For example, a USAID team is preparing to help develop selected small businesses. The small business component of the Privatization project might cooperate with CARTAC in supporting the distribution centers in each republic. The distribution centers and bookstores are small businesses that play a critical role in this project. (See the discussion of the need for U.S. technical assistance in the Administrative Concerns section of this paper.)

As another example, the Exchanges and Training program may eventually choose to send state and/or private publishers to the United States for training in the market economics of the book industry. The Stanford Publishing Seminar and other such courses would be appropriate.

## HOW THE PROJECT WILL WORK

### Difficulties Faced in the Book Industry in Central Asia

In the United States, where there is a long-established interest in market economics and related subjects, university students and professionals have no problem getting textbooks on these subjects. Publishers respond to the demand for books by locating authors, publishing their manuscripts, marketing, and selling high-quality books. Professors can select from a wide array of books from a number of publishers on any subject, order copies for students in the local bookstore, and request students to purchase them. In short, textbooks, like nearly all books, are supplied in the marketplace.

In the newly independent Central Asian Republics, professors and students have no access to such textbooks. Despite the urgent demand for books on market economics, management, and business, it is doubtful that, without help, the book industry in Central Asia will develop quickly enough to supply them at affordable costs in the near future. There are a number of reasons for this.

Even at the university level, professors in the former Soviet Union have not individually selected textbooks. Centralized committees and the ministry of education selected books and used their own facilities to publish, print, and distribute them to schools. Textbooks not adopted by the ministry had no access to production and distribution channels. Thus, faculty and students had no choice but to buy books published by the ministry--at highly subsidized and thus very low prices.

Most books were published and printed in Moscow. Although the ministries of education in Central Asia have access to printing presses, these are old and have low capacity. Thus, even with their independence, the new republics do not have much capacity to print textbooks. By far the worst problem is the dire shortage of paper. Having been cut off from the new Russian ruble zone since June 1993, ministries in Central Asia do not have currency to buy paper from Russia. Neither do they have hard currency for purchasing paper from Finland and other countries--paper of much higher quality but also much more expensive.

Many academics and other authors have manuscripts ready for publication, but they must wait in the long line for access to state printing facilities. Those who would publish textbooks must wait in the ministry-of-education line. Others, such as one author of a book for Uzbek students on English as a second language, can seek out other printers, but they must supply their own paper and the up-front cash to cover printing costs. The few private publishers in Central Asia have scarce access to state printing presses.

The book industry needs stimuli and guidance. For example, the National Academy of Management in Almaty sees itself as responsible for providing books on market economics and related subjects not only to its own students but also to students in other institutes and to professionals and business people throughout the country. Because this institute does not

intend to wait indefinitely for access to paper and printing supplied by the state, it is seeking the means to spend about \$25 million on its own printing equipment. This is an inefficient solution. Printing presses, in order to cover their costs, must run around the clock and thus must serve a large number of publishers. In Western countries hardly any publishers own and operate their own printing press exclusively for their own publications.

The handful of private publishers emerging in Kazakhstan and Uzbekistan have much to learn about a free market book industry. They will soon have to compete with Russia, where the publishing business has adapted more quickly to a market economy. They must establish local markets and publish titles that have local interest. They must find at least some titles that sell well enough to require large print runs. And they must have access to printers with paper. State-owned printing presses depend on state resources--funds and paper--and can print only publications supported by the state.

It will take time for demand for economics books to become organized and for publishers to learn to recognize the market and respond efficiently. In the meantime, students and others need books on market economics.

### **Making Books Available**

Based on USAID's Regional Technical Assistance Center (RTAC II) project in Latin America, the proposed CARTAC project in the Central Asian Republics can help universities organize the demand for these books and help publishers respond to the demand through free market mechanisms.

CARTAC provides the funds to distributors (wholesalers) to purchase textbooks from publishers in Russia and Central Asia and to sell them through bookstores. Encouraged by the working capital that the project provides to purchase books, Russian, Central Asian (and perhaps other NIS publishers) negotiate with U.S. publishers to license a selected variety of titles.

The local publishers translate, adapt, typeset, and contract with printers to produce books, the numbers of which are based on the estimated quantity demanded by universities, secondary schools, and private bookstores in the Central Asian Republics.

### **The CARTAC Procurement and Distribution Cycle is Repeated Each Semester**

Once the project has matured, and as the book industry in the Central Asian Republics moves away from state domination into a market economy, the project will repeat the following cycle each semester. *(In the early years the project will have some interim features, which are discussed in the Technical Considerations section of this paper.)*

University professors "adopt" (select for use in courses) titles made available by the CARTAC distributor in each of the Central Asian Republics. The distributor is a private organization that contracts with CARTAC to provide marketing and distribution services.

Likewise, the ministry of education adopts books for secondary schools, and bookstores order books based on projected sales to professionals, business people, and others who patronize the stores.

Distributors forward orders to the CARTAC coordinating center in Almaty and send payment for orders in local currency. Initially funds for the books and their transportation are donated by USAID and the revenues from their sale (minus the distributor's margin) are put into a reflow account for each country/distributor. The funds in the reflow account are used to purchase books ordered by the distributor the following semester.

The CARTAC coordinating center:

- Consolidates book orders and negotiates purchases from Russian and Central Asian publishers; because consolidated orders amount to high volume, lower prices can be negotiated;

- Manages the reflow accounts;

- Contracts with transport companies to ship books to each of five Central Asian Republic distributors' warehouses; and

- Provides training and support to distribution center staffs.

Publishers ship books to the distributor in each Central Asian Republic, which distributes them to university bookstores, ministries of education (for secondary schools), and private bookstores. Bookstores sell the books at a price set and advertised by CARTAC; they keep an agreed-upon profit margin, and return the base price of the books to the distributor. The distributor deposits revenues into a reflow account for that country. Funds from this account are used to purchase more books the following semester.

As volume increases and the publishing industry becomes viable, the project can become self-sustaining. The project can begin to apply a service charge to the books at a low rate to cover the costs of the coordinating center. It can also provide additional services to bookstores, thus adding revenues that help cover operating costs.

### **Marketing Books**

While the focus in the early years of the project will be on establishing the functions required to procure and distribute books, as soon as possible the important function of marketing and advertising books will be added.

**Local publishers representatives.** Once local publishers understand that to increase sales of books they must actively market them at universities and bookstores, they will begin to hire representatives to visit universities, offer sample copies of titles, and encourage their adoption. This has happened in Latin America and is now an integral part of RTAC II. Until this happens, the distributor in each country will have to visit universities regularly to market titles, encourage adoptions, and work with ministries of education in each country.

**Exhibit centers.** RTAC II in Latin America has established a permanent exhibit of titles available at each city with major universities participating in the project. Professors are welcomed to this exhibit to peruse sample books and invited to adopt new titles. CARTAC will also set up exhibit centers at major participating universities.

**Program information support materials.** RTAC II also promotes the sale of books through the use of materials such as posters and flyers at universities, particularly in the bookstores. Each store is required to post a list of books available and their prices, so that students are protected from prices higher than those set by the project. List prices must be enforced to dispel the belief that free-market merchants price books too high to be affordable. Distribution centers also use mass media to promote book sales at the beginning of each semester.

This project will also work with publishers to supply support materials to university and private bookstores each semester. Eventually publishers will contribute more and more to the cost of program information materials.

## **Support and Training**

Following the experience of RTAC II in Latin America, the project will provide intensive training to staff of the distribution centers and to other individuals involved in the project. The overall training objective will be to have at the end of the project competent local people, primarily the assistants (or counterparts) to the U.S. technical staff, who can run the project without further foreign technical assistance. Training and support is intensive in the first years of the project and tapers off--but never ceases--as project participants gain competence. More training will be required in Central Asia than has been needed in Latin America because so few people know how to operate in a free economy.

**Seminars.** The managers, MIS staff, and marketing reps of the distribution center in each country will be convened twice a year in seminars held in one of the republics to train them in their tasks.

**On-the-job training.** The Field Support Manager in Almaty will be on the road most of the time visiting distribution center staffs and helping them do their tasks. In addition, from time to time foreign technical assistants, from the United States, Latin America, and other countries, will be brought in to provide training and guidance in specific tasks. Once some of the distribution centers have experienced success, staff

from these centers will be invited to provide short-term assistance to centers in other countries to solve particular problems or improve or introduce particular functions.

### **Pamphlets**

RTAC II in Latin America accompanies its textbook program with a pamphlet program that makes available attractive brochures and pamphlets on a wide range of development-related subjects. These are developed by local writers, using desktop publishing and inexpensive local printing, and distributed free of charge to large audiences. Titles usually support USAID mission goals.

Pamphlets will be extremely useful in Central Asia, especially those written on democracy, civics, basic economics, small business management, health, population, and other areas of USAID support.

## **IMPLEMENTATION**

The project will be implemented by a U.S. contractor responsible for managing all operations. Contractor personnel will work at the project coordinating center in Almaty and the procurement office in Moscow.

The contractor will subcontract with a distribution center in each of the five Central Asian Republics. The contractor will train and support staff in these centers. At least in the first few years, the contractor will employ local hire country coordinators at each of the five distribution centers. In addition to advisory responsibilities, this person must inspect each delivery of books to the distribution center to make sure the inventory, which, technically, is a donation from USAID, is complete. As the project matures, less will be required of the advisor, who will eventually be replaced by a local advisor and then phased out.

### **Summary of Project and Distribution Center Staff**

Five staff members--four in Almaty and one in Moscow--will be hired in the United States by the contractor. Each of these will have a counterpart (assistant) hired locally and expected to be trained on the job to eventually replace the U.S. staff. The contractor will also hire a country coordinator in each of the participating republics. These five coordinators, counterparts and all other staff will be local hires.

**Coordinating Center in Almaty.** The coordinating center of the project will be housed in Almaty and include the following staff on the payroll of the contractor:

- Project director (US)
- Operations manager (US) (oversees purchase orders, USAID contract compliance)
- Field operations manager (US) (trains and supports distributors)
- Accountant manager (US)
- Local counterpart project manager
- Local counterpart operations manager
- Local counterpart field operations manager
- Local counterpart accountant manager
- Senior accountant
- Junior accountant
- MIS expert
- Programmer
- Clerical and office support (3 people)
- Driver.

**Office in Moscow.** Currently, more than 30 U.S.-origin titles in economics, business, and related fields have been licensed, translated into Russian, and published in Russia (see Attachment G for a partial list of titles). In order to speed up the process of getting books into bookstores in Central Asia, the project will begin by procuring and distributing copies of

these titles that are already published. For this purpose the project will open an office in Moscow to procure books from publishers in Russia (and possibly the Ukraine) and ship them, either to Almaty for further distribution or directly to each of the five Central Asian Republic distribution centers. This office may be eliminated as the publishing industry in Central Asia grows and publishes more titles used by the project. Project staff in the Moscow office will include:

- Procurement manager (US)
- Local counterpart procurement manager
- Procurement assistant
- Shipper
- Accountant
- MIS expert
- Clerical and office support.

**Distributors in Central Asian Republics.** In each of the capital cities of the Central Asian Republics, the project will contract with an organization that receives the books from Almaty or Moscow, warehouses them for a brief period, and distributes them to university and other bookstores. Each distribution center will be either an existing business, a state agency that is eligible to be privatized, or an organization established by the project to become a distribution center. Local staff at the distribution center includes a manager, MIS expert, marketing representative, warehouse coordinator, and accountant. While some of these functions may be less than full time in the beginning, as the center grows, its staff increases.

Because it is not expected that any of these staff people know enough about free market business and management practices, technical assistance will be required. The project will hire locally a country coordinator--either a Westerner or a Central Asian well versed in Western business practices--to advise and help train the staff of the distribution center and work with bookstores. In addition to advisory responsibilities, the country coordinator must ensure the progress in that country toward project objectives and adherence to correct procedures. The coordinator will inspect each delivery of books to the distribution center to see that the inventory, technically a donation from USAID, is reconciled.

### **Implementation Schedule**

It may be assumed that projects work best where economic, political, and social conditions are stable or, at least, predictable. This is not the case in the Central Asian Republics where the only certainty at present is change that cannot be predicted with any degree of certainty or confidence. This contrasts with the vast *need* for projects such as CARTAC which can help to stabilize the society. On the one hand the Central Asian Republics present poor conditions for projects, while on the other hand they have a great need for assistance. This is not an unusual dilemma for USAID; however, it is one which must be considered when planning a project. Another factor which must be considered, which is atypical for USAID

projects, is the presence of well-educated, highly literate populations which are eager to move their countries forward. This factor indicates a great demand for the books that are the product of this project.

In general, a phased implementation schedule offers a number of advantages for projects in countries such as the Central Asian Republics where conditions are difficult to predict. A two-phased implementation plan is proposed for the CARTAC project. The first phase will provide for rapid project start-up while ensuring that commitments remain reasonable until all conditions are adequate for the implementation of phase II.

The alternative to a phased implementation is to conduct additional feasibility studies and other activities which may or may not lead to greater confidence in the success of the project. These additional studies would take place in the constantly changing environment, and would likely not add significantly to our current level of understanding regarding the likelihood of project success.

The phased implementation allows us to begin the project and postulate a key point (the end of phase I) where the feasibility of continuing or modifying the project is reconsidered. While, along broad lines, this project clearly appears feasible and of urgent interest, many further planning activities are required to set it in motion. Because the systems and institutions--public and private--that will support the project are in such a fluid state, with existing policies, procedures, and personnel crumbling and new ones arising, planning this project will entail a long series of explorations, negotiations, and agreements. Project design and implementation will merge at several levels and follow several tracks simultaneously.

For this reason, it is advisable to involve as early as possible the participants from all parties to the project--publishers, printers, distributors, bookstores, universities, and ministries. It is also important to bring the contractor on board to participate in Phase I activities. Each of these participants will bring to the project its own set of goals, resources, and constraints. And, in this situation of transition, each will have the flexibility and opportunity to try new ways of doing business and to strike new deals. Partnerships formed early in planning activities will facilitate cooperation as the project unrolls.

**Phase I--planning.** These are the tasks the contractor needs to undertake in Phase I:

Conduct formal discussions with publishers in Moscow on their interest in licensing U.S. publications for sale in Central Asia. The researchers have met with some of these publishers informally, but the publishers' interests and capabilities must be explored in more depth.

Discuss with U.S. publishers their terms for licensing titles to Russian and Central Asian publishers.

Explore with ministries of education in Kyrgyzstan, Tajikistan, and Turkmenistan their interest in adopting texts in market economics for secondary and post-secondary schools.

Explore further with ministries of education in Kazakhstan and Uzbekistan their interest in adopting texts for secondary schools. Purchases of secondary texts by the ministry in either would add a significant component to the project.

Identify a distributor in each republic and determine what level of technical assistance and other resources are required to make it a viable business and participate effectively in the project.

Begin the process of selecting book titles (as described herein).

Investigate the possibility of significant contributions to the textbook fund from U.S. companies registered in Central Asian Republics (as has been done in Peru and Venezuela).

Develop a business plan for the project, specifying, among other things, the anticipated level of financial self-sufficiency of the operation at the end of five years, and the growth over the five years of the post-secondary, secondary, and business-sector markets for books.

**Workshops.** As part of the planning process, the contractor can conduct a series of workshops with project participants. These will be useful means of beginning the long process of educating them about a free-market book industry, stimulating their active involvement in the project, and finding out more about difficulties and issues lurking in the distance. Such workshops might include those with:

University and institute administrators and faculty members who are likely to adopt textbooks

Officials of ministries of education and press who have the authority to help or hinder the project

Publishers in Central Asia and Moscow who are interested in licensing U.S. titles

Distributors, both private and state, that are potential subcontractors and/or experienced in distributing books to schools and bookstores.

**Documentation.** The results of such planning sessions, workshops, and negotiations should be captured in a design/planning document that builds on this concept paper. It would contain formal agreements with ministries and/or universities regarding their participation in the project. In keeping with USAID Project Memoranda, it would have official agreements

with the government, including any conditions precedent. But since some of the key participants in the project are not within the government, this document would also include subcontracts and other forms of agreement with nongovernmental participants. For example it would include a five-year business plan for the project as well as for distribution centers and plans for how publishers and distributors will schedule activities in the semi-annual cycle of project operations.

Based on RTAC II experience the nature and sequence of these activities can be generally predicted. But the project's success depends heavily on how well participants--private and state--understand and agree to their roles in the activities. Preparing a project planning document will provide an opportunity for participants to take great strides toward such agreement.

### **Phase II--Operations**

Phase II will comprise four and a half years, starting with USAID's approval of the detailed scope of work and implementation plan and ending with a smoothly functioning project that can be managed by Central Asians.

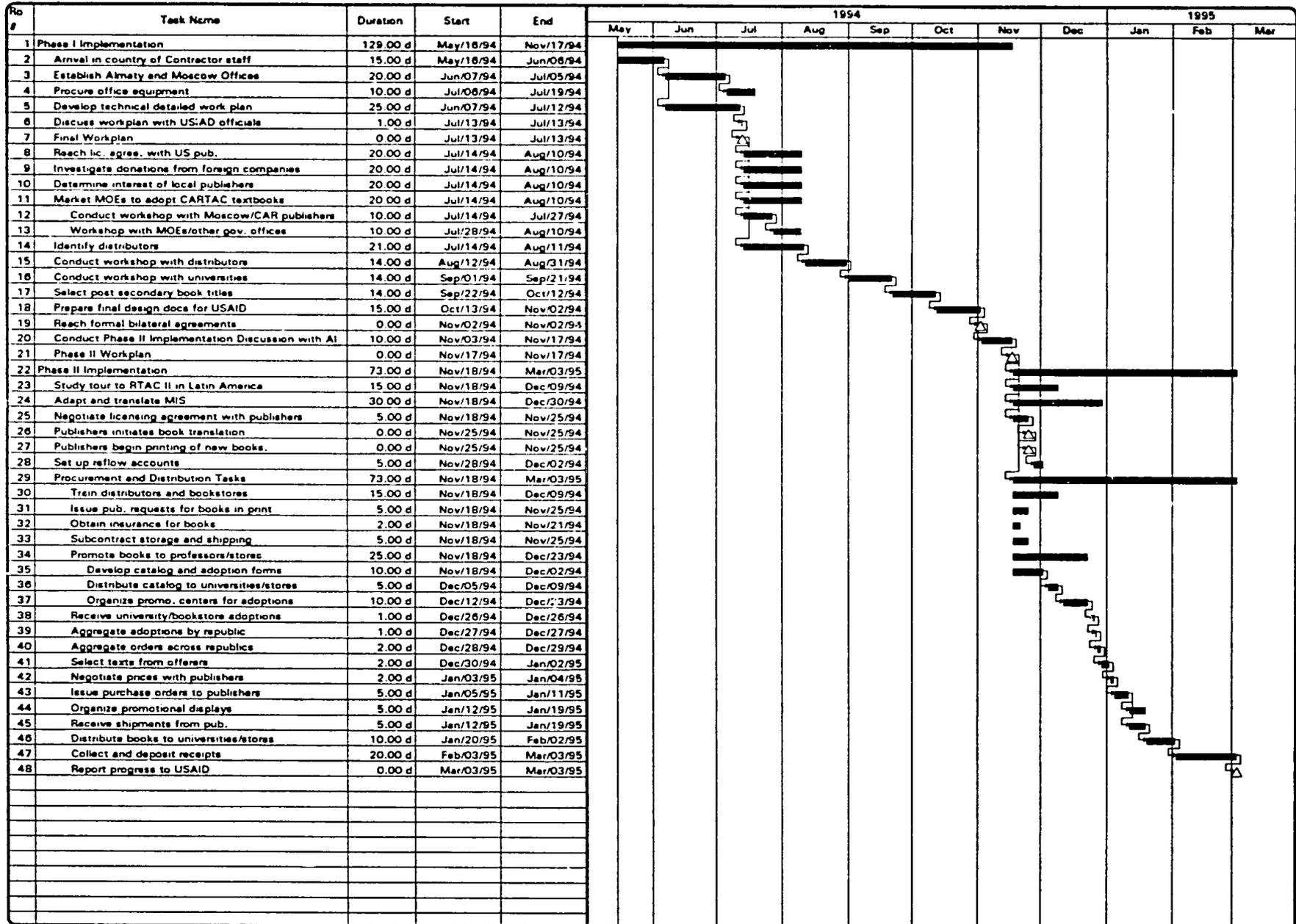
The tasks which are listed in the attached timeline are divided into Phase I and Phase II. Following the timeline an organizational chart is provided which indicates the relationships between the CARTAC organization and the distribution centers, and the staffing for a single center.

The timeline on the following pages must be read keeping the following assumptions in mind.

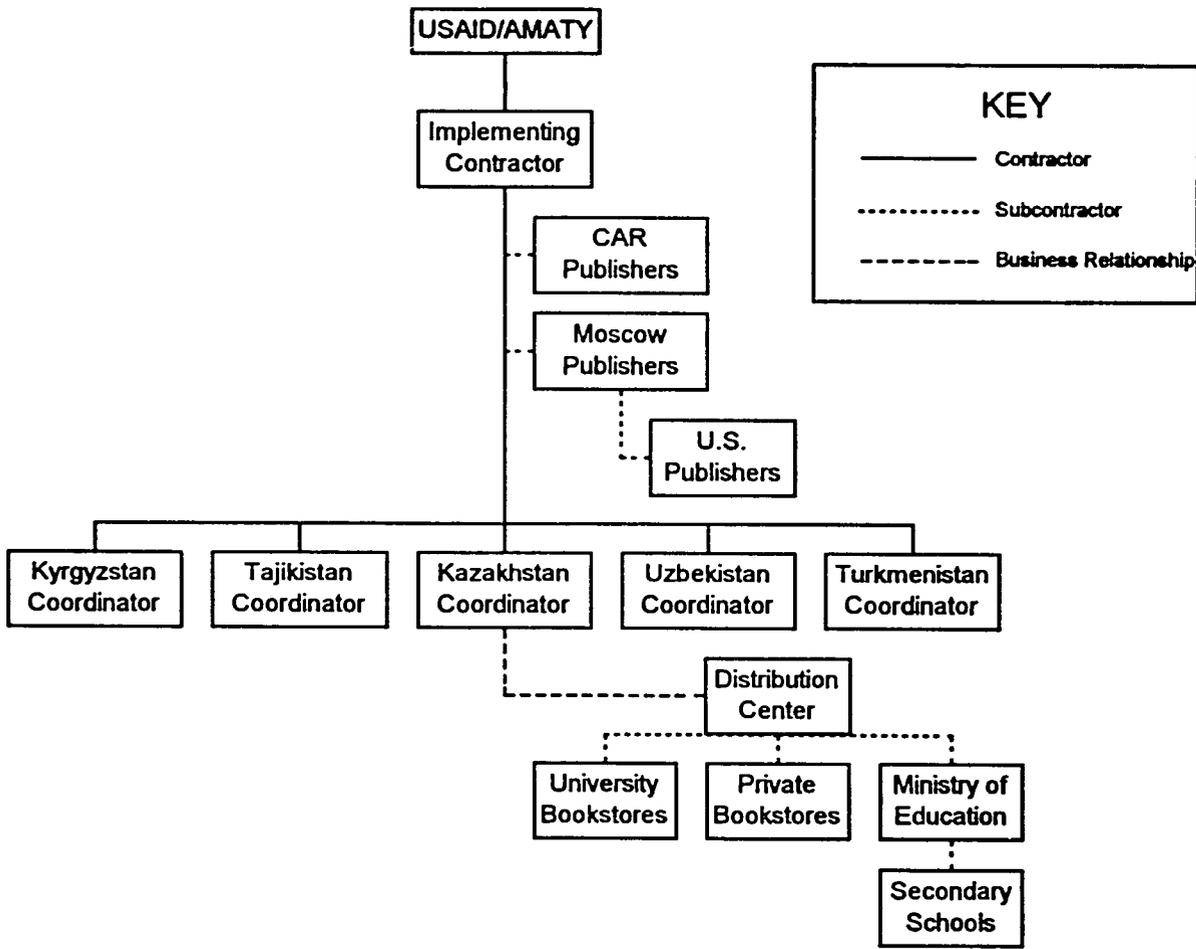
1. The project is designed for very quick output. This means that the project must be in place by May 15, 1994. This is a very short time frame; however, there is a need for demonstrable output. The project is designed so that an accelerated output can be achieved.
2. The following timeline is for the first 6 months of the project assuming a May 15 start date. The university semester system in CAR begins in September and February, thus, the first order of textbooks must be in place prior to February 1995 so that books can be available for students at the beginning of the academic semester. If no textbooks are available by this date, the next possible date would be September 1995.
3. The timeline covers the start-up and first 6 months of the project. From that point on, the steps are somewhat repetitive for each semester for the procurement and distribution of textbooks.

4. **Some countries may come on before others due to a variety of considerations. The timeline does not specify which countries are participating. By the end of the first year, all countries should be participating at some level.**

# CARTAC



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## **FACTORS AFFECTING PROJECT SELECTION AND FURTHER DEVELOPMENT (ANALYSES)**

### **USAID's Relevant Experience**

The proposed project is based directly on USAID's experience with RTAC II, a textbook procurement and distribution project in Latin America. The earlier description of how the proposed project will work follows the main lines of the RTAC II project. Circumstances in the Central Asian Republics vary considerably from those in Latin America, largely because here the republics have barely begun the transition to a market economy, face severe inflation and difficulty in obtaining hard currency, and have far fewer translated titles available in economics and related fields. Yet, unlike Latin America, many of the people are avid readers and enjoy owning books. The strategies used successfully in Latin America, modified to some extent, can work here as well.

### **Technical Considerations**

This discussion of technical issues looks first at strategies used in Latin America which can also be applied here, and next at circumstances peculiar to this region.

#### **Technical issues resolved by RTAC II in Latin America:**

Will U.S. publishers support the project? U.S. publishers allow their books to be translated and sold by publishers in foreign countries. Every textbook publisher in the United States has been willing to license copyrights to publishers in other countries, and some have set up their own local publishing companies in the most viable markets, such as Latin America and Asia. Although profit margins from licensing only are small, publishers recognize that some regions of the world are growing markets in which they want to establish a position. RTAC II has created in Central and South America a new market for textbooks that had not previously existed.

U.S. publishers have said that they would not hesitate to license copyrights to NIS publishers--indeed, some have already done so in Russia. Once the economy in the NIS gets to a point where normal returns on publishing investments are possible, U.S. and other publishers are likely to invest in setting up local companies to work in the then viable Central Asian book industry. In the meantime, publishers in Russia will take the lead.

Publishers have already agreed to supply a large number of sample copies of the kinds of books in demand in Central Asia. The project will also explore the possibility of publishers reducing or waiving entirely royalties for a year or two.

U.S. publishers have another reason for licensing titles immediately for sale in Central Asia. Until U.S. titles are published legitimately in Central Asia, they will be photocopied and sold

without authorization in violation of copyrights (pirated), as they are already in large quantities. Publishers make no money on pirated books.

How can books be priced so students can afford them? Perhaps one of the greatest values of the RTAC II project in Latin America is its ability to lower the price of books to students. RTAC II works closely with publishers, shippers, distributors, and bookstores to guarantee that costs per book are kept low. Prior to RTAC II, local costs in Central America were kept high by import constraints, credit risks in the countries to which Mexican publishers shipped, and high margins taken by local bookstores. The project eliminated the credit risk for Mexican publishers by agreeing to full payment in 20 to 30 days. As the project deals in high volume by consolidating book orders from a number of countries, publishers agree to higher discounts. Bookstores agree to smaller margins because RTAC books are popular and increase customer traffic. And the project lowers the administrative costs of each bookstore through its own procurement and distribution mechanisms, which are based on seasonal sales and thus can employ people on a seasonal basis. All these measures lower the cost to the consumer.

Based on RTAC II experience, estimates of publishing and shipping costs in Central Asia, and an informal survey of what students will pay for books (see Financial Considerations), it seems feasible to sell books at affordable prices.

How are bookstores prevented from overcharging students? It is critical to the project's success that bookstores do not charge more--thus raising their own profit--than the prices determined by the project. To assure that this does not happen, RTAC II publishes a price list each semester and has this list posted in the bookstores and distributes flyers to students. The list includes a telephone number that students can use if the bookstore is charging a higher price than that on the list. Bookstores that do not abide by listed prices are not allowed to continue participation in the project.

How does the project become self-sustaining? The project becomes self-sustaining in terms of (1) its financial independence from donors and (2) its capacity to operate without long-term foreign technical assistance.

Financially, the project becomes self-sustaining as it becomes able to pass on the costs of its operation to the consumers of books. While the project is not expected to become financially independent by the end of the five-year project, the amount of infusion required by donors should be substantially diminished and not provided solely by USAID.

Initially, the project is funded entirely by USAID, but that contribution is used over and over--each semester--to purchase more books. This happens primarily through the reflow fund mechanism. The reflow fund for each country is generated from the sale of books deposited during the first three years into a local currency account for each center set up by and in the name of the project. An agreed upon percentage of the deposited amount is for the use of the distribution center to cover administrative costs and its overhead. The balance

of the funds becomes the reflow fund and is converted into U.S. dollars. The dollars are deposited in the United States in interest bearing accounts managed by the RTAC II contractor as agent. The operational detail for the establishment and management of both the local currency and the U.S. dollar accounts as well as other conditions is provided in a subcontract with the distribution centers.

At first, USAID covers the operational costs of transportation, insurance, and warehousing. But as the project grows, these costs are spread out over a larger volume and become smaller for each book. Eventually they can be passed on to the consumer.

Once the book industry is established, the project applies a small service charge to the base price of a book (publisher's net price) to help defray the costs of the coordinating center. This charge is gradually increased so as not to disrupt the market but to replace USAID contributions with project income.

Also, as the coordinating center develops, it can expand into other services to the distributors (and ultimately to the book trade), such as supplying a wider range of books--beyond RTAC books--through its distribution network. This additional income helps the center become self-sustaining. Broadening the supply of available books also strengthens the distributor's business.

During the life of the project, project staff can identify among U.S. and other private enterprises doing business in Central Asia some who will donate to the textbook fund (reflow accounts). In Peru and Venezuela, both local and multinational corporations have been willing to contribute to this fund because they are assured that their money pays only for books--not salaries or capital expenditures.

In terms of technical support, the project should be able to operate without long-term U.S. technical assistance at the end of the five-year period. Each U.S. contract staff will work from early in the project with a local assistant, who will be his or her counterpart and trained to take over the position.

#### **Technical issues that vary in the environment of the Central Asian Republics:**

What is the level of demand for books? The level of demand for textbooks differs between Latin America and the Central Asian Republics. In Latin America, RTAC II now serves 1,200,000 students in 250 universities in 10 countries. RTAC II began in Central America, however, with only 300,000 students in six countries. Thus, the initial apparent demand for books in Central Asia is higher than the initial demand was in Central America.

Three distinct markets for books on economics and related subjects appear in Central Asia:

- University students
- Secondary school students

Professionals and business people.

The analysis of the demand for books in Central Asia is limited to the first of these three markets--university students. Thus, it is a conservative estimate.

In the five Central Asian Republics, the estimated university student population is 875,000 in about 150 universities and other institutes of higher education:

<b>Republic</b>	<b>Institutes</b>	<b>Students</b>
Kazakhstan	64	300,000
Kyrgyzstan	18	75,000
Tajikistan	12	100,000
Turkmenistan	1	50,000
Uzbekistan	55	350,000
<b>TOTAL</b>	<b>150</b>	<b>875,000</b>

(Sources: Ministries of education in Kazakhstan and Uzbekistan; USAID representatives in the other three republics)

Interviews with university administrators and faculty and with ministry of education officials in Kazakhstan and Uzbekistan reveal a strong demand for books in Western market economics, business, and management. Most university students will be required to take at least an introductory course in market economics. In addition, each of the major universities in Kazakhstan and Uzbekistan (the only two countries analyzed in any depth) have large departments of economics in which advanced courses in market economics are offered. Each country also has higher-education institutes dedicated to the "new" fields of economics and business and a large number of other institutes in which these courses are offered.

Different from Latin America, the market in the Central Asian Republics for books in market economics, management, and business extends far beyond universities.

Officials in the ministry of education in Kazakhstan say that the ministry plans to require a course on market economics on the secondary level. There appears to be a strong interest in the ministry in adopting a textbook in this subject for secondary-level students. This is a huge potential market for books. This market is not included in the demand analysis, however, because discussions with the ministries in Kazakhstan and Uzbekistan were preliminary, and no attempt was made to probe for a commitment to offering such a course or adopting textbooks. The organization that publishes most textbooks (Rauan) believes that the government may return to its pre-1978 policy of requiring secondary school students to purchase their textbooks rather than borrow them from the school.

Since market economics has become an interest in these republics only in the past two years, most business people and professionals in managerial positions are eager to own books on these subjects. Although the researchers did not conduct a quantitative analysis of this market, abundant anecdotal data reveals that the demand for such books is high among professionals and business people. Some who have completed an education at the PhD level are now returning to school to study business. Many retraining programs are underway in business and industry. Anyone who goes into the private sector needs information on how to operate in a market economy. Any volumes on business, management, and related subjects that appear in bookstores are immediately grabbed up.

Will higher-education enrollments remain stable? As the Central Asian Republics move from planned to market economies, a significant number of students who would formerly have pursued a higher-education degree may now leave school after the secondary level to take a job, since the private sector will pay much better than the government subsidies for university students and even the research and academic positions they take upon completing a higher education. But it is not likely that university and institute enrollments will go down in the near future. The demand for places now far exceeds the space available; while a changed economy may reduce the demand, it is not predicted to affect actual enrollment.

Who will supply books? The striking difference between the Latin American context for RTAC II and the Central Asian Republic context for this project is the nature of the economy. While Latin American countries have traditionally welcomed free enterprise, the Central Asian Republics are only beginning the transition from a planned economy to a market economy. Thus, to operate as a private-sector business rather than a state operation, the project will attempt to identify and support private enterprises to handle each of its four functions: publishing, printing, distribution, and sales.

Publishers. At present, there are only a handful of private publishers in Kazakhstan, and none of these operates on a large scale. In Uzbekistan, where many businesses combine state and private ownership and an unusual array of products, one finds furniture makers and academicians with a license to publish. But due to a dire lack of paper, countless manuscripts sit on the shelf, waiting for years until printers have the paper to take on the project. Often, only those who can bribe their way to the head of the printing line get published.

Because publishers in the Central Asian Republics are in this arrested state of activity, the project will begin by working with publishers in Moscow, such as the large publisher, Progress (which is being privatized and is currently 74 percent privately owned). Russian publishers already have licenses to over 30 U.S.-origin titles on economics and related subjects. This number is expected to double or triple in the next few years. Currently, these books are not available in Central Asia.

Procuring books from Russia in the initial years of the project will dramatically shorten the length of time needed to get books into bookstores. By focussing at first

on distributing books now available in the NIS to the Central Asian Republics, the project will have an immediate impact on the book industry in the republics. It will provide a rapid response to the loud cry for books in economics and related subjects.

CARTAC will be critical in distributing books published in Russia to Central Asia. It will provide the funds to local distributors to purchase books from Russia. It will also work with economies of scale by ordering additional copies of books already being printed, thus lowering the cost of each book by increasing the volume produced.

A World Bank project in Moscow, which is currently being negotiated as part of a large training project at the Federal Employment Service, is facilitating the publication of relevant books by giving money to publishers to license, translate, and, in some cases, publish. CARTAC will keep abreast of the possibility of purchasing additional copies of these books as a means of increasing the number of titles available for adoption. This kind of cooperation with other publishing ventures will also take advantage of economies of scale.

By purchasing books from publishers in Russia, the project not only begins to meet the urgent demand of schools, students, and bookstores in Central Asia for books on free market economics, it supports publishers and students in Russia as well.

Although initial project activities will be limited to distributing books already published in Russia, it will eventually support Central Asian Republic publishers in their publications. Even the books procured from Moscow can involve publishers in Central Asia. It is not uncommon to publish "co-editions" of titles. In these cases the Central Asian publisher would be credited on the title page even though the book is actually produced in Russia. This provides a means of providing "name recognition" to local publishers.

Printers. Because textbooks and most other books have been supplied to the Central Asian Republics from Moscow for over half a century, the printing industry in these countries is in poor shape. Although there are a number of state-owned printing presses, only two have any up-to-date equipment. One is Shark, a large printer in Tashkent. The other is Kazakh Kitab, a printer in Almaty, which is in the process of purchasing modern equipment. Kazakh Kitab is slated to become privatized, although the government will retain 51 percent ownership for some time. It is not clear when printing will become privatized in Uzbekistan.

The publishing industry in Central Asia has become inefficient not only because Moscow has been the source of most publications but also because all publishers must rely on state-owned and -operated printers and on the bureaucratic process of prioritizing publications. As a result, many small publishers are now looking for

funds to purchase their own printing presses and get out from under the constraints of using the inefficient monopoly state system.

Within the limits of its power to do so, the project will encourage the privatization of the printing industry. USAID may consider investing in a modern private printing plant, which does not exist in the region now, or in finding other donors to provide equipment. In the meantime, it may become advantageous to encourage publishers in the Central Asian Republics to work with Kazakh Kitab and Shark, even though they are state owned, since, as long as state subsidies last, prices are competitive.

Distributors. In Latin America, RTAC II worked with small businesses to develop them into viable distribution companies. In the Central Asian Republics, the project will also identify and work with small enterprises. If feasible, the project will cooperate with USAID's Privatization project to select and support small private businesses to work in distribution. The Privatization project might provide support in developing and managing a small business while the project provides technical support in distribution. Peace Corps Volunteers in the small business program might work productively with distributors.

Bookstores. In an unplanned and disorganized manner, small, private book vendors are being established. Because books are in great demand, individual entrepreneurs sell them on the street--from kiosks, card tables, and trunks of cars. In spite of limited stocks, state bookstores in Almaty are crowded with buyers. In Tashkent, bookstores are depleted of merchandise as Russia restricts her exports to the new ruble zone. (Kazakhstan has very recently decided to join the new ruble zone, and books and other merchandise may begin to flow in more freely, but Uzbekistan has no hope in the near future for stocking up on Russian publications.)

The project will distribute to university bookstores, other state bookstores, and private vendors who agree to the terms of the project, including the sales price of books and the return of revenues to the reflow account.

Peace Corps Volunteers might also help to develop university and private bookstores as viable businesses.

Where will paper come from? Among the constraints in developing a book industry in the Central Asian Republics, none is felt so critically at the moment as the shortage of paper. Russia produces low-quality paper; Finland produces world-quality paper but at twice the price of Russian paper. Yet, paper is not available in Central Asia because the republics do not have the capital--either Russian or hard currency--to buy it. The project will provide the funds needed to purchase books, which will allow publishers to cover the costs of paper and printing. The project may need to advance up to 50 percent of the cost of a purchase order to help the publisher pay for paper. (These kinds of advances for paper, printing, and binding costs are normal in the industry.)

Can this market-based enterprise be introduced into a transitional economy? An important assumption in the proposed project is that the Central Asian Republics will persist in the transition from centrally planned to market economies. At this time there is much enthusiasm for the move, but little experience. This project's value will be not only in supplying textbooks but also in providing practical experience for publishers, printers, distributors, and booksellers in market economics. In the early years the project will require adequate U.S. technical assistance to ensure that participants learn to operate according to free market principles. It will also require strong support from ministries of education and ministries of press and perhaps from even higher levels of government. For example, state printing presses should be urged to privatize, and ministries of education must relax their control of the selection of textbooks at the post-secondary level.

By supporting private enterprise in the book industry, the project will facilitate the demise of inefficient state operations. Ministry of education and other small state printing presses may not survive if they cannot compete with larger presses that can produce more efficiently and win contracts from many publishers, including those participating in the project.

Can U.S. titles be adapted to meet local conditions? U.S. publishers allow adaptations of titles they license, and in RTAC II in Latin America books have been adapted to local conditions. A number of academicians in Central Asia have commented on the need to adapt or supplement U.S. texts, because market economics is such a new concept here. It will be many years before the transition from state control is completed, and even then, Central Asian Republics will have unique forms of economies. Local publishers can supplement textbooks with support materials that help teachers teach these new subjects. The project might assist them in offering seminars sponsored by USIS or other donor agencies on how to teach these courses.

Can all five republics participate in the project? Several arguments favor immediate participation of all five republics:

Students and professionals in every republic stand to benefit immediately from the project.

The economies of every republic will reap the benefits of citizens educated in market economics, business, and management practices.

The project's economies of scale grow as participation increases.

Yet, technical, political, or financial constraints may prevent one or two of the smaller republics from participating, at least initially. In some cases, the resources for developing a distribution company may not be available (although, as an alternative, the distribution company from a neighboring republic may be used). Some governments may not welcome the project. (The researchers did not interview officials in Kyrgyzstan, Tajikistan, or

Turkmenistan.) Or, the costs of transportation and distribution may make it financially infeasible for some to participate.

Although there are no immediately apparent prohibitions to the participation of any of the five republics, the circumstances in the three smaller republics need further analysis.

### **Financial Considerations**

Can books be sold at prices students can afford to pay? Hidden subsidies, rapid inflation, and major changes in monetary policies in the Central Asia Republics make it difficult to estimate both purchasing power and publication costs. Careful estimates, however, reveal that books can be sold in bookstores at prices students are willing to pay.

How much will students pay for a book? In preparing this concept paper the researchers conducted an informal survey of 143 students in the economics departments of Kazakh State University, Tashkent State National University, and two prestigious post-secondary economics institutes--the National Academy of Management in Kazakhstan and the World University of Economics and Public Diplomacy in Uzbekistan. The survey was taken to get better information on students' sources of income and their willingness to buy textbooks. (A copy of the questionnaire used in the survey is found in attachment D.)

The survey results reveal that, on average, students are willing to pay up to 10,000 rubles (equivalent of 6,666 new Russian rubles or approximately U.S.\$3.35) for a book on market economics, business, or management. They are used to purchasing books assigned by professors (though at a much lower, subsidized price). Attachment E is the cumulative results of a survey of students in three universities and institutes in Kazakhstan and two in Uzbekistan.

How much will a book cost? The estimated cost to the student of purchasing a book published in Moscow is \$3.71. (See Attachment B for a detailed estimate.) The estimate is based on Moscow prices because the project would probably use Moscow publications initially. These estimates are based on information provided by reliable industry sources in Moscow and Tashkent.

Thus, it appears that students are willing to pay in the range of U.S.\$3.50 for books and that they can be produced within this price range, especially if U.S. publishers will agree to forego royalties for a few years. In order to push down even further the cost of books to students, USAID could contribute to the costs of translation, typesetting, and licensing (royalties) for a specified number of books. This would reduce expenses approximately \$7,000 per title (or about \$.60 per book). RTAC I provides precedence for this kind of contribution by USAID.

As the transition to a market economy progresses and subsidies to publishing disappear, the cost of producing books will rise. But students' purchasing power is also expected to rise.

Can costs be recovered given rapid inflation? RTAC II in Latin America has worked with countries that do not have a convertible currency and experience rapid inflation. The procedures used to recover costs in these countries can be applied to the Central Asian Republics whose currency is not convertible and/or not stable during the time frame of the project.

Books are priced on the basis of the local exchange rate for stable currency that is projected at the end of the sales period. Since books are seasonal products, sold at the beginning of a semester, the time lapse between their purchase from publishers and sale in bookstores is small.

The distributor, who works on a cash basis like everyone else in Central Asia, immediately converts revenues from book sales into a stable currency and places it in the reflow account.

The coordinator works with the distributor to ensure a timely deposit of revenues, which are then converted immediately into hard currency.

Book prices are not written on the books but listed on posters and flyers, which can be quickly changed in the event of a devaluation while the books are on sale.

Can local currencies be exchanged for stable currency? A U.S. "big eight" accounting firm in Almaty states that, provided a company is listed as a legal entity and registered with a tax inspectorate in Kazakhstan, it can apply for a foreign bank account and license, which it is likely to get. The company can also maintain a foreign currency account abroad. The functions of the distribution company here appears to conform with these requirements. (In other republics, it may be more difficult to transfer foreign currency out of the country. The U.S. embassy in Tashkent, where the government is tightening up on exports of hard currencies, believes current policy makes it difficult for a company like the distributor to maintain a foreign currency account outside the country. The government is making exceptions to these regulations on a case-by-case basis. Companies are also allowed to barter with those who legally export commodities as a means of exchanging currency.)

An alternative means of exchanging currency is through USAID. The USAID controller in Almaty is willing to cooperate and support local currency conversion into dollars at the highest exchange rate obtainable in the market, and he believes the embassy will also cooperate. This mechanism may not be satisfactory, however, at times when USAID and the embassy do not have a high enough demand for rubles.

Much will depend on what monetary regulations are adopted by the republics and how the economy develops. If all five republics eventually tie into the new Russian ruble zone, it may not be necessary to convert to hard currency.

### **Social/Political Considerations**

How will book titles be selected? In Latin America, where the number of RTAC II titles available now surpasses 4,000, each professor can adopt a textbook for his or her course. For several reasons, this will not be possible in the early years of CARTAC. First, far fewer titles will be available than were in Latin America, especially at the beginning of that project. Second, unlike Latin America, textbook title selection in Central Asia has been tightly controlled by centralized selection committees. This approach must be replaced gradually, as professors learn that they can select books themselves, and that publishers will respond to their demands. Third, it will take awhile for publishers to send marketing representatives to universities and involve professors directly in title selection. In the meantime, distribution centers will play this marketing function.

In the beginning, therefore, project staff would use the following process to select books for translation and publication.

Consult with Central Asian and U.S. academics in the region (visiting professors and individuals contracted with local institutes) and other experts in market economics and related fields to compile a list of subjects in which books will be selected. (Consider also list of subjects generated by Kazakh State University students, which is attached as Attachment F.)

Determine at which levels (secondary, post-secondary introductory, post-secondary specialized, etc.) books are required.

Ask U.S. publishers to submit samples of titles on each subject at each level (some have already agreed to do this).

Identify a group of experts in each subject. Each group should consist of one or two Americans with Central Asian or Russian experience and Western-trained or knowledgeable Central Asian professionals.

Have each group recommend from among the titles submitted by U.S. publishers two or three titles at each level for use in Central Asia.

Compare lists of titles selected by expert groups with titles planned to be published in Russian by the World Bank and other projects and with those already available in Russian.

Compose title selection committees at major universities and institutes.

Identify publishers in Russia and/or Central Asia who will translate and publish selected titles based on high-volume orders by CARTAC.

What is the state's role in selecting or approving textbooks? In Kazakhstan and Uzbekistan the ministries of education are officially responsible for approving all textbooks--required and recommended reading--at the post-secondary as well as secondary levels of education. This level of control implies that individual professors or even university departments would not be allowed to select books provided through CARTAC without government approval.

But, in fact, the ministries appear to be relaxing their control of book selection at the university level. In part, the ministry has selected books in part because it has had to coordinate with central offices in the former Soviet Union to publish, print, and distribute books. Now that books are no longer supplied from Moscow and governments of the Central Asian Republics are free to establish individual national policies on textbook selection, the ministries' role in book selection may diminish. In the post-secondary institutes and university departments in which Western economics and related subjects are taught, faculty members and high-level administrators affirm that the ministry does not interfere in their selection of book titles. This belief has yet to be fully tested, as very few copies of any Western titles in these subjects are available, but faculty members do get hold of single copies and, in many instances, photocopy these for their students.

Thus, it appears that, while the ministry of education in each country will continue to approve textbooks at the secondary level, universities and other higher-education institutes can recommend to students U.S.-origin titles (or any other titles).

Are U.S. copyrights protected in the Central Asian Republics? At present there are no copyright laws in Central Asian Republics. With encouragement and support from the U.S. government, the legislatures in both Kazakhstan and Uzbekistan are currently developing intellectual property protection laws. In August 1993, Russia adopted new intellectual property protection laws that U.S. publishers applaud. Intellectual property protection law is being debated in the Supreme Soviet in Kazakhstan. In the meantime, U.S. international trade agreements have as a condition adequate protection of U.S. intellectual property. Violation of these agreements may result in eventual cancellation of GSP privileges and imposition of punitive tariffs.

In spite of trade agreements, a few higher-education institutes in economics have the means to photocopy U.S. books and sell them to students. And those who have the means are pirating U.S. texts with impunity. Students have no other means of access to the books, and their institutes copy freely in order to fulfill their obligation to teach these subjects. These are professional people with high standards, but they are likely to continue to pirate until books are made available through legitimate channels and costs students can afford.

The project will support the adoption of copyright laws and their enforcement. The contract signed between the contractor and distributors prohibits involvement in piracy, and distributors sign agreements with bookstores that also prohibit such involvement. The project will discourage piracy by another means as well: when legally published copies of books at affordable prices are made available to all who want them, pirated copies will disappear. A legitimately published book will be cheaper than a pirated copy. This has been the experience in the Latin American RTAC II project.

In what language should project books be published? The choice of language for publication is a sensitive political issue but an easy business decision. Kazakhstan has adopted Kazakh as the national language and Russian as the language of trade, and Uzbekistan has adopted Uzbek as the national language and Russian as the language of trade. Uzbekistan is committed to full use of its national language by 1997, and will convert by that time from a Cyrillic to a Roman script. Kazakhstan has no such formal goals. Yet, the urban and educated people in both countries communicate, orally and in writing, in Russian. Except for a small minority of university students who were pulled in from the countryside to help implement equal access policies, all university students are used to studying in Russian. Students who were interviewed and surveyed prefer to read textbooks in Russian than in either English or the official state language (Kazakh or Uzbek).

A second argument for publishing project books in Russian is the present availability of such books from Moscow and the strong likelihood that many more books will be published in Moscow--in Russian--before publishers in the Central Asian Republics can find a strong market for professional books in local (national) languages.

The risk is that, particularly in Uzbekistan, nationalist policies will discourage the use of textbooks and professional books in Russian, despite their practicality. At this time, that risk seems low, since the demand for information is urgent and increasingly more available in Russian than in national languages.

Who are the project's primary beneficiaries? The project will benefit university students, who are in urban centers and many of whom tend to be in a higher socio-economic stratum, secondary school students in all parts of the region, and professionals, business people, and educated laymen, who are predominately urban. The future of the market economy in the Central Asian Republics is in the hands of these people. Without their educated guidance, the economy cannot take off. They crave books on business, management, and market economics, and clearly they will benefit most directly from the books supplied by the project.

The other group of primary beneficiaries are those enterprises that will cooperate with the project: publishers, printers, shippers, distributors, and bookstores. A successful project will entail the successful growth of these organizations and the creation of new jobs. The project will make every effort to use private sector enterprises, and only when they are not available (primarily printers and shippers) will it turn to state enterprises.

On the other hand, state enterprises that are now beginning to see competition from the private sector are likely to feel a negative impact from the project. But since the Central Asian Republics have decided to dismantle the centrally planned economies and state enterprises, this impact of the project is in line with government intentions.

Will the project affect men differently than women? Society in many parts of Central Asia are heavily dominated by men, and women's rights suffer. Because this project will concentrate primarily on urban areas, however, gender considerations are limited to those of university students, secondary school students, and professionals. Responses to an informal survey of some university students roughly indicates that about half are women. About one-half of both the university and secondary school population is presumably women. Thus, the number of female students who benefit from the project is likely to be as large as the number of male students.

The project will encourage women to participate in the book industry enterprises with which it works. It will make an effort to recruit and select women for positions supported by the project. As the book industry develops, opportunities for academic and professional women to publish will grow, giving them recognition and opportunities.

### Administrative Considerations

The administration and management of this project will conform closely to that of the RTAC II project in Latin America, where seven years of experience has led to a smoothly running operation. Considerations relevant to RTAC II's administration are the following:

What level of U.S. long-term technical assistance is appropriate? It will be important to the success of the project to have a sufficient number of long-term U.S. technical assistants supporting the project. While many Kazakhs, Uzbeks, and other Central Asians are well-trained and competent, they lack a good understanding of and experience in free market economies. U.S. technical assistants will be required in key management positions until Central Asians who are skilled managers are available and trained to take over these responsibilities. USAID, through other projects in Central Asia, is assisting Central Asians to develop managerial and other skills that can be applied in this project, but, during the life of the project, U.S. technical assistance will be in place in the Almaty coordinating center and in the Moscow office.

The project will also hire in each participating republic a U.S. or other Westerner to serve as country coordinator (see discussion of project staff in Implementation section above). Additional expertise might be provided by a cooperating USAID project such as the Privatization project, which supports small businesses, and the Peace Corps.

Further exploration is needed to determine what existing organization in each republic might become distributors. In some republics new organizations might have to be developed.

What administrative procedures can be adopted and adapted from RTAC II (Memorandum of Understanding)? Under the RTAC II project the distribution center in each country is responsible to the USAID mission in that country, not to the U.S. contractor. The Mission and the distribution center sign a memorandum of understanding (MOU) that makes very clear the responsibilities and expectations of each party.

In the CARTAC project the distribution centers will sign a subcontract with the U.S. contractor rather than be directly under the auspices of the USAID mission. This arrangement will lessen the workload of the mission and give the U.S. contractor more authority over the distribution centers.

The relationship between the U.S. contractor and the subcontracting distribution centers in the CARTAC project will be patterned on the model used in Latin America. The terms of this model (which are stated in the RTAC II MOU) include:

- The terms of USAID's donation of textbooks to the distribution centers;
- USAID's loan of equipment to the centers;
- The contractor's provision of technical assistance and personnel training;
- Designation of a coordinator for each country and the coordinator's responsibilities;
- The establishment of local currency and U.S. dollar separate accounts (reflow funds);
- Establishing the price of books;
- The distribution center's percentage of sales price to cover administrative expenses;
- Restricting the use of reflow funds to purchase books;
- Accounting procedures and audit requirements;
- The procedure for reordering textbooks;
- The procedure for exchanging local currency into dollars;
- Inventory control;
- The distribution to bookstores;
- Unauthorized publishing (piracy);
- Required reports.

Almost all the terms of RTAC II MOU can be directly applied to this project, thus providing from the first day clear cut and tested administrative procedures.

Can the RTAC II MIS be adapted to CARTAC? RTAC II has also developed a computerized management information system (MIS) that facilitates the procurement, administrative, and accounting tasks. With the concurrence of USAID, this MIS can be adapted and translated for use in the Central Asian Republics.

The MIS is essential for an efficient operation, as it reduces labor costs and space requirements for a large staff, which would otherwise be needed. The MIS has been developed with USAID funds, and its use in Central Asia would offer a bigger return on USAID's investment.

The MIS also provides other benefits. Used in conjunction with modems, software, and other modern office equipment, it is a means of training local staff in good management practices and the use of computerized tools. The MIS also assists considerably in the management and control of the flow of resources. It enhances accountability and reduces losses.

Why is an office needed in Moscow? Under the RTAC II project, both procurement and distribution are coordinated from the center in Mexico City. In CARTAC it is advisable to separate these functions between Moscow and Almaty, at least in the early years of the project. This is necessary because most of the publications, especially in the early years of the project, are expected to come from Moscow, while the book industry to be developed is in Central Asia. The physical separation of the two functions is not expected to be a problem because communication and transportation between Moscow and Almaty is inexpensive and fairly reliable.

As the publishing industry develops in Central Asia, the Moscow office may no longer be necessary. If it is, the planned service charge would also contribute to project-generated funds that replace USAID funding for the Moscow office as well as the coordinating center.

What is the best location for the coordinating center? In RTAC II, the coordinating center is in Mexico City, where most books are published. In CARTAC, the potential locations of the center are Almaty and Tashkent, the largest markets for books. Almaty is preferable at this time because government policies are more favorable to market economics and democratization than in Tashkent. Moscow is too remote from the distribution centers.

## **Conclusion**

The findings from these preliminary analyses show that this project is feasible and responds to a strong need in Central Asia. A number of studies must be done in Phase I of the project in order to work out the best agreements with participants and to develop a detailed implementation plan. These studies are included as tasks in the implementation plan.

## COORDINATION WITH OTHER DONOR AGENCIES

### Donor Agencies in the NIS

Both multilateral donor agencies, notably the World Bank, and bilateral agencies are active in the NIS. As mentioned earlier, the World Bank is developing a project to make available in Russia market economy titles. Preliminary discussions with the Bank's project staff indicate they welcome coordination with CARTAC. A purchase order from CARTAC to the publisher of such titles will increase the likelihood that the publications are economically viable, or (if the publication is already planned) increase print runs, thus reducing the unit cost of each title.

The Sabre Foundation of Somerville, Massachusetts is an example of other projects with which CARTAC might develop a mutually beneficial relationship. Sabre has announced that it is facilitating the publication of a series of American and British publications on basic economics, marketing, budgeting, finance, and human resources. These books will be translated, published, and distributed in the Ukraine. If these titles are published in Russian, CARTAC might cooperate with the Ukrainian project in an effort to increase the number of U.S. titles available in both the Ukraine and the Central Asian Republics.

### Donor Agencies in the Central Asian Republics

The World Bank's anticipated book-support project does not extend to the Central Asian Republics. No bilateral donor is preparing to provide U.S.-origin books to the NIS, and none appear to be supplying post-secondary textbooks on a systematic basis. Yet, USAID must keep aware of other donor activities in this area, because if higher-education institutes and/or ministries of education were to adopt textbooks on market economics, management, and business published in Europe, for example, these would diminish the immediate market for U.S. publications.

USIS has a book program in Almaty with a strategy similar to that of the World Bank project in Russia: the donor agencies are paying the cost of licensing and translation of these books, which will be sold by the publisher. USIS will support the publication of a number of titles in business and economics. Unlike the proposed CARTAC project, the USIS and World Bank programs are not business ventures. They are supporting only the relatively minor costs of licensing, translation, and typesetting, and not the major costs of paper, printing, and binding. They will probably be much slower in getting books into the hands of consumers, because publishers will face the paper shortage and are unlikely to get them printed soon. CARTAC's financial support and marketing organization will be helpful in getting them published and into universities and bookstores.

## **MONITORING AND EVALUATION PLAN**

### **Overall Project Assessment**

The evaluation and monitoring plan is designed to track the achievement of policy objectives and planned project outcomes to determine the project's impact on improving the availability of textbooks on market economics and on the development of the book industry in Central Asia. USAID will monitor and evaluate progress through scheduled external evaluations and audit reviews, and through internal and contractor reports.

The contractor will be responsible for providing USAID with evidence that impact indicators are established and being met. To ensure that sufficient information is available to the mission to assess project progress and overall impact of USAID's investment in the book industry, the Program Development Office (PDO) will develop close working relationships with the contractor, key universities, and ministry departments that become involved in the project.

### **External Evaluations and Audit Reviews**

Two external evaluations of the project are planned to check the validity of the project's logic and the distribution of costs and benefits. Both evaluations will be designed to assess overall impact of the project. The first, formative evaluation, will be scheduled for two and a half years after the arrival of the project technical assistance team. The evaluation will examine the experience of the first two years of implementation and identify needed adjustments in the project. The second external evaluation is planned for Year Five of the project to provide a summative assessment of the project's impact.

The U.S. contractor will also hire a USAID/Almaty-approved accounting firm to conduct audits of each distribution center during the first three years. After that, audit reviews will be conducted once a year.

### **Reports**

The contractor will submit bi-annual project progress reports in a format acceptable to USAID. The contractor shall also submit a monthly financial report that shows the expenditure of funds against budget line items determined by USAID.

**ATTACHMENTS**

- A. Preliminary Log Frame
- B. Draft Calculations of Book Costs
- C. Budget and Notes
- D. Questionnaire (Demand Analysis Among University Students)
- E. Results of Demand Analysis Among University Students
- F. Subjects in Which University Students Request Books
- G. Partial List of U.S. Market Economics Texts Translated into Russian
- H. Individuals Consulted in Preparing the Concept Paper

## ATTACHMENT A

## PRELIMINARY LOGICAL FRAMEWORK

NARRATIVE SUMMARY	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p><u>Goal:</u> To strengthen the human resources needed to facilitate the transition from a planned to a market economy and to strengthen democratic processes in the five Central Asian Republics (CARs)</p>	<p>Increase in number of people employed in successfully privatized state business and new private enterprises</p> <p>Development of free-market and democratic institutions</p> <p>Increase in number of people educated in market economics at universities/institutes and number trained in short courses or other post-university opportunities</p>	<p>Government records of registration of private enterprises</p> <p>Records and accounts of increase in number and strength of established democratic institutions</p>	<p>CARs' policies continue to favor market economies and democratic processes.</p> <p>Governments remain stable.</p> <p>Availability of textbooks improves education and training.</p> <p>Those who use the textbooks will apply their new knowledge and skills.</p>

<p><u>Purposes:</u> To make good quality, up-to-date books in market economics and related fields available to university students at prices they can afford and to secondary schools, business people, professionals, and educated laymen</p> <p>To develop a viable book industry, focusing on market economics and related subjects, English as a second language, and democracy.</p>	<p><u>End-of-Project Status:</u> An organization, including a coordinating center and a distribution center in each republic, run by local staff and used by local publishers to sell through bookstores textbooks on free market economics and related subjects.</p> <p>At least 75 percent of universities and other relevant institutions participating in the project</p> <p>Books selling at affordable prices</p> <p>Professors freely adopting titles and bookstores ordering to meet consumer demand</p> <p>University bookstores and library collections that include a wide array of books in market economics and related subjects.</p>	<p>Project evaluations, annual audits; personnel and financial records</p> <p>Tally of participating and non-participating universities and other institutes</p> <p>Bookstores' records of sale and inventories; records of books not sold</p> <p>Library records and shelves</p>	<p>Government regulations allow publishers, printers, distribution centers, and bookstores to operate.</p> <p>Political/economic environment continues to encourage students and professionals to learn about market economics.</p> <p>Universities participate.</p> <p>University enrollments remain stable or continue to grow.</p> <p>Professional market grows and stabilizes.</p>
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<p><u>Outputs:</u> Approximately 750,000 copies of books sold in CARs</p> <p>Approximately 250 titles in market economics and related subjects licensed and available in bookstores and libraries in CARs</p> <p>Trained local project staff</p> <p>Financial mechanisms, including a reflow account for each participating CAR that meets the demand for the continual purchase of books</p> <p>Operational mechanisms, including a project-wide computerized, Russian-translation MIS</p> <p>Promotional exhibits and program information support materials in participating universities, university bookstores, and other bookstores</p>	<p>Increasing sales of CARTAC books</p> <p>Increase in licenses and publication of CARTAC books</p> <p>Staff job performance</p> <p>Established accounts and maintenance of original levels of funds</p> <p>MIS in active use</p> <p>Attractive, patronized exhibits, and materials posted at participating locations</p>	<p>Bookstore and publisher sales records</p> <p>Publishers' records</p> <p>Mid-term and final project evaluations</p> <p>Annual reports, personnel reviews, evaluations</p> <p>Annual audit reviews, evaluations</p> <p>Examine use and outputs of MIS</p> <p>Visit areas with displays; collect materials</p>	<p>Publishers' costs do not rise above students' purchasing power.</p> <p>Government does not restrict availability of U.S. titles.</p> <p>Ministry of education continues to allow universities and institutes to select titles for courses.</p> <p>Non-U.S. titles do not assume large share of market.</p> <p>Secure locations for exhibits are available.</p> <p>Materials can be distributed and are cost-effective.</p> <p>Government regulations continue to allow reflow accounts.</p>
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<p><u>Inputs:</u>          Technical assistance          Training          Funds to purchase textbooks          Funds to produce pamphlets          Copy of RTAC II MIS          Office space, equipment, supplies          Evaluations and audits</p>	<p>Funds allocated on schedule          Staff hired and on-the-job          Training and T.A. on schedule          Equipment and supplies purchased          and in place</p>	<p>Examine USAID and contractor          records</p>	<p>USAID funds remain available for          this purpose.           Planned human and material          resources are available.</p>
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## ATTACHMENT B

## DRAFT CALCULATION OF BOOK COST

**1. Origination costs**

Translation	(\$1 per 100 words; 650 words p/page x 384 pp = 249,600)	\$ 2,500
Typesetting	1,536,000 Rubles (4,000 p/page)	\$ 1,260

## Per Unit Calculation:

Translation	(\$2,500 for 15,000)	\$0.1667
Typesetting	(\$1,260 for 15,000)	\$0.0840

**TOTAL UNIT ORIGINATION COSTS** **\$0.2507**

**2. Variable Costs**

Royalties		\$0.3700
Paper	450 rubles (450,000 Rubles ton)	\$0.3689
Printing	(15.0K) 600 rubles (on 15,000 run)	<u>\$0.4918</u>

**TOTAL UNIT VARIABLE COSTS** **\$1.2307**

**SUBTOTAL COST OF BOOK** **\$1.4814**

**3. Other Costs**

Publisher's Profit (50%)	\$0.7407	
Transportation Moscow - Almaty	<u>\$0.2500</u>	
Subtotal: Landed cost Almaty		<b>\$2.4721</b>
Overhead Almaty Distributor (15%)	\$0.3708	
Transportation Almaty Distributor - Point of sale	<u>\$0.2500</u>	
Subtotal: Cost to bookstore		<b>\$3.0929</b>
Overhead Bookstore (20%)	<u>\$0.6186</u>	

**LIST PRICE TO STUDENTS** **\$3.7115**

NOTE: The above figures are 1993 figures which currently include subsidies within Russia and the CAR. As these subsidies are eliminated the cost per book will move more in line with world prices and will increase. The average cost per book over the life of project is estimated at approximately \$7.50.

## ATTACHMENT C: BUDGET AND NOTES

### SUMMARY PIPELINE BUDGET CARTAC

CATEGORY	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
SALARIES/WAGES	\$664,106	\$792,751	\$838,968	\$888,154	\$940,523	\$4,124,501
TECHNICAL ASSISTANCE/TRAINING	\$118,580	\$75,460	\$60,858	\$46,953	\$29,756	\$331,607
PROGRAM AREA COSTS	\$1,615,850	\$1,450,365	\$1,458,308	\$1,466,649	\$1,475,406	\$7,466,578
TRAVEL/TRANSPORTATION	\$173,084	\$150,763	\$148,930	\$136,350	\$190,450	\$799,577
OTHER DIRECT COSTS	\$860,760	\$503,286	\$605,763	\$543,753	\$844,579	\$3,358,140
TOTAL	\$3,432,380	\$2,972,625	\$3,112,827	\$3,081,858	\$3,480,714	\$16,080,403

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Estimated Project Costs									
CARTAC									
		YEAR 1		YEAR 2	YEAR 3	YEAR 4	YEAR 5	Subtotal	GRAND TOTAL
SALARIES/WAGES		Phase I	Phase II						
<b>Almaty Office</b>									
	Project Director	51,250	51,250	107,625	113,006	118,657	124,589	566,377	
	Counterpart (local)			8,250	9,075	9,983	10,981	38,288	
	Accounts/Financial Manager	40,625	40,625	85,313	89,578	94,057	98,760	448,958	
	Counterpart (local)			7,150	7,865	8,652	9,517	33,183	
	Field Operations Manager	37,500	37,500	78,750	82,688	86,822	91,163	414,422	
	Counterpart (local)			6,050	6,655	7,321	8,053	28,078	
	Operations Manager	37,500	37,500	78,750	82,688	86,822	91,163	414,422	
	Counterpart (local)			6,050	6,655	7,321	8,053	28,078	
	MIS Specialist		2,492	5,481	6,029	6,632	7,296	27,930	
	Programmer		2,265	4,983	5,481	6,029	6,632	25,391	
	Senior Accountant		2,265	4,983	5,481	6,029	6,632	25,391	
	Junior Accountant		2,059	4,530	4,983	5,481	6,029	23,082	
	Secretary 1		1,560	3,432	3,775	4,153	4,568	17,488	
	Secretary 2		1,418	3,120	3,432	3,775	4,152	15,896	
	Secretary 3		1,418	3,120	3,432	3,775	4,152	15,896	
	Driver		1,379	3,034	3,337	3,671	4,038	15,459	
<b>Moscow Office</b>									
	Procurement Manager	40,625	40,625	85,313	89,578	94,057	98,760	448,958	
	Counterpart (local)			11,000	12,100	13,310	14,641	51,051	
	Procurement Assistant		4,500	9,900	10,395	10,915	11,460	47,170	
	MIS Specialist		4,500	9,900	10,890	11,979	13,177	50,446	
	Accountant		4,500	9,900	10,890	11,979	13,177	50,446	
	Shipping Clerk		3,600	7,920	8,712	9,583	10,542	40,357	
	Support Staff		2,400	5,280	5,808	6,389	7,028	26,904	
<b>Distribution Center Personnel</b>									
	Country Coordinator	78,125	78,125	164,063	172,266	180,879	189,923	863,380	
	Country Coordinator (local)			27,407	30,147	33,162	36,478	127,194	
<b>Home Office</b>									

Project Monitor/Liaison	15,000	15,000	31,500	33,075	34,729	36,465	165,769	
Accountant	14,250	14,250	19,950	20,948	21,995	23,095	114,487	
<b>SUBTOTAL - LABOR</b>	<b>314,875</b>	<b>349,231</b>	<b>792,751</b>	<b>838,968</b>	<b>888,154</b>	<b>940,523</b>	<b>4,124,501</b>	<b>4,124,501</b>
<b>TECHNICAL ASSISTANCE/TRAINING</b>								
Consultants (USN)	7,320	7,320	38,430	40,352	25,421	8,898	127,740	
Consultants (HCN)	720	720	3,780	3,969	4,167	2,625	15,982	
<b>Training</b>								
Study Tour to LA		70,000					70,000	
Publishers Conference		17,500	17,500				35,000	
Seminars	7,500	7,500	15,750	16,538	17,364	18,233	82,884	
<b>SUBTOTAL TA/TRAINING</b>	<b>15,540</b>	<b>103,040</b>	<b>75,460</b>	<b>60,858</b>	<b>46,953</b>	<b>29,756</b>	<b>331,607</b>	<b>331,607</b>
<b>PROGRAM AREA COSTS</b>								
Textbooks		1,120,000	1,120,000	1,120,000	1,120,000	1,120,000	5,600,000	
Licensing/Translation		350,000					350,000	
<b>Warehousing/Security</b>								
Moscow		3,750	7,875	8,269	8,682	9,116	37,692	
Almaty		13,200	41,580	43,659	45,842	48,134	192,415	
Tashkent		13,200	41,580	43,659	45,842	48,134	192,415	
Other		13,200	41,580	43,659	45,842	48,134	192,415	
Transportation/Insurance		90,000	9,000	9,000	9,000	9,000	126,000	
Distribution Ctrs - Costs		12,500	26,250	27,563	28,941	30,388	125,641	
Pamphlets/Booklets			162,500	162,500	162,500	162,500	650,000	
<b>SUBTOTAL - PROGRAM AREA</b>	<b>0</b>	<b>1,615,850</b>	<b>1,450,365</b>	<b>1,458,308</b>	<b>1,466,649</b>	<b>1,475,406</b>	<b>7,466,578</b>	<b>7,466,578</b>
<b>TRAVEL AND TRANSPORTATION</b>								
<b>Almaty - CAS</b>								
Airfare	6,000	6,000	12,600	13,230	13,892	14,586	66,308	
Per diem	18,816	18,816	39,514	41,489	43,564	45,742	207,941	
Other	5,040	5,040	10,584	11,113	11,669	12,252	55,698	
<b>Almaty - Moscow</b>								
Airfare	800	800	1,680	1,764	1,852	1,945	8,841	
Per Diem	3,136	3,136	6,586	6,915	7,261	7,624	34,657	
Other	700	700	1,470	1,544	1,621	1,702	7,736	
Local Transportation	2,100	2,100	4,410	4,631	4,862	5,105	23,208	
Residents to/from Moscow/Almaty	65,000					79,008	144,008	

<b>Consultant Travel</b>									
	USN	17,000	17,000	71,400	65,599	49,199	20,664	240,861	
	HCN	450	450	2,520	2,646	2,431	1,823	10,320	
	<b>SUBTOTAL TRAVEL</b>	<b>119,042</b>	<b>54,042</b>	<b>150,763</b>	<b>148,930</b>	<b>136,350</b>	<b>190,450</b>	<b>799,577</b>	<b>799,577</b>
<b>OTHER DIRECT COSTS</b>									
<b>Allowances</b>									
	Housing - FT Staff	75,000	75,000	157,500	165,375	173,644	182,326	828,845	
	Medical Exams	4,500			4,725		5,209	14,434	
	Shipping - HHE	108,000					125,024	233,024	
	Shipping - Vehicle	35,000					40,517	75,517	
	Unaccomp Bagg.	16,000					18,522	34,522	
	Home Leave			68,250		75,246		143,496	
	Temporary Living Allowance	15,000					18,233	33,233	
	COLA	10,000	10,000	21,000	22,050	23,153	24,310	110,513	
	Rest and Recup		20,000	21,000	22,050	23,153	24,310	110,513	
<b>Insurance</b>									
	DBA	10,095	10,095	21,199	22,259	23,372	24,541	111,560	
	MEDEX	585	585	1,229	1,290	1,354	1,422	6,465	
<b>Office Rental/Utilities</b>									
	Moscow Office	6,150	6,150	13,530	14,883	16,371	18,008	75,093	
	Almaty Office	32,500	32,500	71,478	78,626	86,488	95,137	396,729	
<b>Communications</b>									
	Install Lines/Almaty	3,000						3,000	
	Moscow Office	1,200	1,200	2,520	2,646	2,778	2,917	13,262	
	Almaty Office	6,000	6,000	12,600	13,230	13,892	14,586	66,308	
	Translation Services	5,100	5,100	10,710	11,246	11,808	12,398	56,361	
<b>Materials/Supplies</b>									
	Moscow Office	600	600	1,260	1,323	1,389	1,459	6,631	
	Almaty Office	2,400	2,400	5,040	5,292	5,557	5,834	26,523	
	Duplication	2,000	2,000	4,200	4,410	4,631	4,862	22,103	
<b>Vehicles/Maint.</b>									
	Purchase	25,000	25,000					50,000	
	Ship to Almaty	7,000	7,000					14,000	
	Annual Gas/Maint	1,000	1,000	2,520	2,646	2,778	2,917	12,862	

Non-Expendable Equipment	150,000						150,000	
Shipping - Equipmt/Other	35,000						35,000	
Equipment Maint/Upgrades/Software		3,000	10,500	11,025	11,576	12,155	48,256	
Office Furniture	10,000	10,000					20,000	
Security Systems	24,500						24,500	
Project Evaluations				140,000		140,000	280,000	
MISC	20,000	20,000	42,000	44,100	46,305	48,620	221,025	
Audit Reviews of DistCtr		17,500	36,750	38,588	20,258	21,271	134,367	
	<i>SUBTOTAL ODC</i>	605,630	255,130	503,286	605,763	543,753	844,579	3,358,140
<b>TOTAL ESTIMATED COST</b>	<b>1,055,087</b>	<b>2,377,293</b>	<b>2,972,625</b>	<b>3,112,827</b>	<b>3,081,858</b>	<b>3,480,714</b>	<b>16,080,403</b>	<b>16,080,403</b>

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## NOTES ON THE BUDGET

**PERSONNEL COSTS****Project staff**

The Level of Effort for each position is presented at the end of these budget notes.

*Almaty office:*

Project director @ \$ 82,000/yr plus 25% post differential; annual increase starting year 2

Local Counterpart @ \$7500/yr; annual increase starting year 2

Accountant manager @ \$65,000/yr plus 25% post diff; annual increase starting year 2

Local Counterpart @ \$6500/yr; annual increase starting year 2

Field operations manager @ \$60,000/yr plus 25% post diff; annual increase starting year 2

Local Counterpart @ \$5500/yr; annual increase starting year 2

Operations manager @ \$60,000/yr. plus 25% post diff; annual increase starting year 2

Local Counterpart @ \$5500/yr; annual increase starting year 2

MIS Specialist @ \$4,983/yr (grade 10); annual increase starting year 2

Programmer @ \$4,530/yr (grade 9); annual increase starting year 2

Senior accountant @ \$4,530/yr (grade 9); annual increase starting year 2

Junior accountant @ \$4,118/yr (grade 8); annual increase starting year 2

Secretary 1 @ \$3,120/yr (grade 6); annual increase starting year 2

Secretary 2 @ \$2,836/yr (grade 5); annual increase starting year 2

Secretary 3 @ \$2,836/yr (grade 5); annual increase starting year 2

Driver @ \$2,578/yr (grade 4); annual increase starting year 2

*Moscow office:*

Procurement manager @ \$65,000/yr; annual increase starting year 2

Local Counterpart @ \$10,000/yr; annual increase starting year 2

MIS manager @ \$750/mo; annual increase starting year 2

Accountant @ \$750/mo; annual increase starting year 2

Shipping clerk @ \$600/mo; annual increase starting year 2

Support Staff @ \$400/mo; annual increase starting year 2

*Distribution centers (5):*

U.S. or other Country Coordinator hired locally @ \$25,000/yr plus 25% diff; annual increase starting year 2

Local Coordinator @ \$4,983/yr (grade 10); annual increase starting year 2

*U.S. office:*

Project Monitor/Liaison @ \$60,000/yr; annual increase starting year 2

Accountant @ 38,000/yr; annual increase starting year 2

**TECHNICAL ASSISTANCE/TRAINING****Short-term technical assistance**

U.S.: 16 person/mos (@ \$300/day)

Local: 20 person/mos (@ \$30/day)

**Training**

1 study tour for 8 people to Latin America

4 publishers sent to the Stanford Publishing Course (Stanford, California)

2 training seminars/year

**PROGRAM AREA COSTS****Textbooks (Working capital/reflow accounts)**

<u>Country</u>	<u>Population</u>	<u>Post-secondary Institutions</u>	<u>Enrollment</u>	<u>Textbook Budget</u>
Kazakhstan	16,550,000	77	300,000	\$1,800,000
Kyrgyzstan	4,300,000	18	75,000	500,000
Tajikistan	5,150,000	12	100,000	700,000
Turkmenistan	3,550,000	1	50,000	500,000
Uzbekistan	20,000,000	55	350,000	2,100,000
<b>TOTALS</b>	<b>49,550,000</b>	<b>163</b>	<b>875,000</b>	<b>\$5,600,000*</b>

\* Based on purchase of 750,000 textbooks.

**Licensing/Translation**

50 titles @ \$7000/title

**Warehousing and security**

Moscow: \$5/ton/wk; 2 weeks twice a year; 750 tons

Almaty: \$3,000 rent and \$300 security per month (YR 1 - 4 months only)

Tashkent: \$3,000 rent and \$300 security per month (YR 1 - 4 months only)

Other: Ashkabad, Bishkek, and Dushambe: \$3,000 rent and \$300 security per month (YR 1 - 4 months only)

**Book transportation and insurance**

transport: 750,000 books @ \$.50/book; insurance @ .10/book

**Distribution Center Costs**

Unloading/unpacking books, affixing labels, counting books, etc. @ \$5000/yr (YR 1 - 6 months only)

**Pamphlets & Booklets**

6.5 million @ \$.10 per pamphlet

***TRAVEL AND TRANSPORTATION*****Travel**

Within Central Asia: 4 staff members traveling 7 days per month @ \$112/day plus ground and air transportation

To Moscow: 8 trips per year (airfare @ \$200; per diem and ground transportation)

Local Transportation per month

Long Term Staff Travel to CAR/Moscow and return (Yr 1 and 5); resident + dependent

Consultant Travel:

USN Airfare and per diem (@ \$8,500/trip)

HCN Airfare and per diem (@ \$300/trip)

**Allowances**

5 Long-term US resident allowances:

Housing: \$2500/month/resident

Medical Exams: for resident + dependent; 3 times

Shipping - Household Effects: 7200 lbs/resident (roundtrip)

Shipping - Automobile: \$7000 each way/resident

Unaccompanied Baggage: \$4.00/lb each way @ 450 lbs/resident

Cost of Living Allowance: per Standardized Regulations

Rest and Recuperation: \$4000/trip; once per year/resident+dependent

Home Leave: 2 per resident+dependent over life of project

Temporary Living Allowance: 5 residents+dependents x 1 month in years 1 and 5

**Insurance**

DBA and MEDEX (emergency medical insurance) for US staff and consultants

**Office Rental**

Moscow: \$12,300 rent and utilities per year

Almaty: \$65,000 rent and utilities per year

**Communications**

3 lines installed in Almaty @ \$1,000/line

\$14,400/year for phone/fax/modem and courier service for 2 offices

**Translation Services**

Translation of MIS system and other project documents (Russian and other)

**Materials/Supplies**

@ \$500/month for 2 offices

**Duplication**

\$4000/year

**Vehicles/Maintenance**

2 vans @ \$25,000 each; Shipping 2 vans @ \$7,000 each

Gas/maintenance/insurance = \$100/month per car

**Non-Expendable Equipment**

Computers and phone systems for 2 offices

includes servers, workstations, printers, modem/communication cards, network, software)

Computer systems for 5 Distribution Centers

compatible with office systems (required to run the MIS purchasing system)

2 fax machines, 2 copiers

**Shipping - Equipment/Other**

Shipping of computer systems and office equipment

**Equipment Maintenance and Upgrades**

\$10,000/year (upgrades to software, maintenance agreements and replacement parts)

**Office Furniture**

Purchased in and shipped from U.S. for 2 offices

**Security Systems**

\$3,500 per system: purchase and installation for 5 U.S. resident (Almaty/Moscow) and 2 offices (Almaty/Moscow)

**Project Evaluations**

Evaluations (2): \$140,000 each

**MISC**

NOTE: Contractor related indirect costs such as fringe benefits, overhead and general and administrative costs are NOT included in the above estimates.

**Audit Reviews**

Audit reviews (2/year at for 5 distribution centers in years 1-3; one/yr thereafter): \$3,500 each

**LEVEL OF EFFORT**  
**CARTAC Project**

POSITION	Person Months of Effort					
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
<b>Almaty Office</b>						
Project Director (USN)	12	12	12	12	12	60
Counterpart Project Director (local)		12	12	12	12	48
Accounting Manager (USN)	12	12	12	12	12	60
Counterpart Acctg Manager (local)		12	12	12	12	48
Field Operations Manager (USN)	12	12	12	12	12	60
Counterpart Field Oper Mgr (local)		12	12	12	12	48
Operations Manager (USN)	12	12	12	12	12	60
Counterpart Operations Mgr (local)		12	12	12	12	48
MIS Specialist	6	12	12	12	12	54
Programmer	6	12	12	12	12	54
Senior Accountant	6	12	12	12	12	54
Junior Accountant	6	12	12	12	12	54
Secretary 1	6	12	12	12	12	54
Secretary 2	6	12	12	12	12	54
Secretary 3	6	12	12	12	12	54
Driver/Office Assistant	6	12	12	12	12	54
<b>Moscow Office</b>						
Procurement Manager (USN)	12	12	12	12	12	60
Counterpart Procurement Mgr (local)		12	12	12	12	48
Procurement Assistant	6	12	12	12	12	54
MIS Specialist	6	12	12	12	12	54
Accountant	6	12	12	12	12	54
Shipping Clerk	6	12	12	12	12	54
Support Staff	6	12	12	12	12	54
<b>Distribution Center Personnel</b>						
Country Coordinators (USN)	6	12	12	12	12	54
Country Coordinators (local)		6	12	12	12	42
<b>Home Office</b>						
Project Monitor/Liaison	6	6	6	6	6	30
Accountant	6	9	9	9	9	42
<b>CONSULTANTS/TA</b>	<b>4</b>	<b>10</b>	<b>10</b>	<b>8</b>	<b>4</b>	<b>36</b>
<b>TOTAL PERSON MONTHS</b>	<b>160</b>	<b>319</b>	<b>325</b>	<b>323</b>	<b>319</b>	<b>1446</b>

## ATTACHMENT D

## QUESTIONS FOR STUDENTS

AGE: \_\_\_\_\_ GENDER: \_\_\_\_\_ ON STIPEND: \_\_\_ Yes \_\_\_ No

1. How do you cover the costs of your studies at the university (tuition, books, supplies, transportation, etc.)?

\_\_\_ Stipend \_\_\_ Your own income \_\_\_ Parents

\_\_\_ Stipend and your income \_\_\_ Stipend and parents

\_\_\_ Your income and parents \_\_\_ All of the above

3. How much did you spend last month on expenses related to your studies (tuition, books, supplies, transportation, etc.)

\_\_\_\_\_

3. Do you earn money to help pay for your studies?

\_\_\_ Yes \_\_\_ No

4. If you work, what is your average monthly income? \_\_\_\_\_

5. How many courses do you take this semester? \_\_\_\_\_

6. How many of your professors assign you readings from textbooks? \_\_\_\_\_

7. In your opinion, should you be required to use textbooks?

\_\_\_ Yes \_\_\_ No Why or why not?

8. What influences your decision to buy a book? (Indicate your first and second priorities.)

\_\_\_ Price \_\_\_ Content \_\_\_ Newly available

\_\_\_ Interest to you \_\_\_ Professor demands you have it

\_\_\_ Other

9. How many books do you buy each academic year and how much do you spend on all of them?

\_\_\_\_\_

10. How much would you be willing to pay for a U.S. book on market economy, management, etc. translated into Russian or Kazakh?

\_\_\_\_\_

11. In what language would you prefer to buy and read textbooks in economics?

**ATTACHMENT E**  
**RESULTS OF DEMAND ANALYSIS AMONG UNIVERSITY STUDENTS**

	Kazakh State National University (Almaty)	National Academy of Management (Almaty)	World University of Economics and Diplomacy (Tashkent)	Tashkent State University	TOTAL
Number of questionnaires	49	34	15	45	143
Average age	18	21	20	19	19
Female	53%	74%	33%	33%	49%
On stipend	96%	100%	73%	87%	91%
Source of school funds:					
Stipend alone	0	3%	0	18%	7%
Own income alone	0	0	7%	2%	1%
Parents alone	12%	0	13%	11%	9%
Stipend and income	10%	21%	0	2%	9%
Stipend and parents	43%	50%	47%	40%	44%
Income and parents	4%	0	7%	0	2%
All of above	31%	24%	27%	33%	30%
Monthly exps: (rubles)					
10,000 or less	32%	9%	13%	20%	21%
11-20,000	10%	9%	0	9%	8%
21-30,000	22%	15%	33%	16%	20%
31-40,000	12%	0	13%	9%	8%
41-50,000	12%	0	0	13%	8%
over 50,000	12%	0	33%	0	8%
No response	0	76%	0	33%	30%

	Kazakh State	Academy of Management	World University	Tashkent State	TOTAL
Average number of courses per semester	8.5	13	11	10	10
Professors assigning texts	95%	92%	96%	97%	96%
Students agree professors should assign textbooks	94%	70%	100%	100%	91%
First consideration in decision to buy a book:					
Price	0	6%	13%	7%	5%
Content	59%	65%	60%	27%	50%
Newly available	0	3%	0	18%	7%
Of interest to you	33%	15%	20%	24%	25%
Professor requires	4%	12%	7%	22%	12%
Other	4%	0	0	0	1%
Number of books purchased each year	5-10	6-10	10-15	8-12	8-10
Average spent on books per year (rubles)	25,000	25,000	23,000	24,000	24,000

	Kazakh State	Academy of Management	World University	Tashkent State	TOTAL
<b>Amount willing to pay for a U.S. book: (rubles)</b>					
2-5,000	23 %	0	40 %	27 %	21 %
6-10,000	12 %	0	13 %	9 %	8 %
11-15,000	2 %	0	0	7 %	3 %
16-20,000	4 %	0	0	9 %	4 %
21-30,000	4 %	0	0	2 %	2 %
No response	9 %	100 %	47 %	44 %	45 %
<b>Preferred language of text:</b>					
Russian	10 %	97 %	66 %	60 %	56 %
Kazakh	0	0	--	--	0
Uzbek	--	--	7 %	36 %	13 %
English	5 %	3 %	20 %	4 %	8 %
No response	39 %	0	7 %	0	24 %

## ATTACHMENT F

## SUBJECTS IN WHICH KAZAKH STATE UNIVERSITY STUDENTS REQUEST BOOKS

Accounting  
Agricultural economics  
Applied economics  
Auditing  
Banking  
Banking management  
Banking marketing  
Business economics  
Business law  
Computer science  
Contract law  
Economics math methods  
Economics  
Finance  
Insurance  
International economic relations  
International trade  
Labor economics  
Macroeconomics  
Management  
Marketing  
Microeconomic  
Monetary systems  
Money and credit  
Principles of econometrics  
Securities marketing  
Statistics  
Stock exchange  
Tax policy  
Tourism business  
World economy

## ATTACHMENT G

## PARTIAL LIST OF U.S. MARKET ECONOMICS TEXTS TRANSLATED INTO RUSSIAN

Accounting

Arens, *Auditing* (F&S 1992, PH 1988)  
 Brock, *Accounting: Basic Principles*, 5th edition (F&S 1992, McG 1986)  
 Mueller, *Accounting: International Perspective* (F&S 1992, RI 1987)  
 Needles, *Principles of Accounting* (F&S 1992, HM 1988)  
 Horngren, *Cost Accounting: Managerial Emphasis* (F&S 1992, PH 1987)  
 Anthony, *Accounting: Text and Cases* (F&S 1992, RI 1989)

Banking

Kotz, *Bank Control of large U.S. Corporations* (PRO 1982, UCP 1978)  
 Pollard, *American Banking Law*

Economics

Wanniski, *The way the world works*, 3rd edition (F&S 1992, POL 1989)  
 Milton, *Quest for World Monetary Order* (PRO 1982, WIL 1980)  
 Campbell, *Economics* (MEN 1993)  
 Campbell, *Economics*, 2 vols  
 Lindert, *International Economics*, 8th edition (PRO 1992, RI 1986)  
 McConnell, *Economics*, 2 vols. (RES 1992)  
 McConnell, *Economics* (Digest) (MEN)  
 Pindyck, *Microeconomic* (EKO, MAC)  
 Samuelson, *Economics* (McG)  
 Samuelson, *Applied Economics* (Pro 1992, JAT 1990)  
 Engel, *How to buy stocks* (PAI, LB 1989)  
 Grayson, *American Business: A 2-minute warning* (EKO 1991, MAC)

Management and Marketing

Taylor, *Management* (KON 1992)  
 Kottler, *Principles of Marketing* (PRO 1992, PH 1984)  
 Jackson, *American Management for 21st century*  
 Evans, *Marketing* (MAC)  
 Woodcock, *The Emancipated Manager*  
 John, *Finances in small business*  
 Emerson, *12 principles of productivity* (EKO 1991)  
 Young, *Systematic management of corporations*  
 Young, *Forecasting for Scient. & Tech. Progress*  
 Deep, *Human relations in management* (GLE 1978)  
 Optner, *Systematic Analysis of Bus. Problems*  
 Mescom, *Principles of management*  
 Mackay, *How to survive among the sharks*

**Russian Publishers:**

F&S - Finansy i Statistika  
PRO - Progress  
MEN - Menedser  
EKO - Ekonomika  
RES - Respublika  
Pro - Prosvishcheniye  
PAI - PAIMS  
KON - Kontrolling

**American Publishers:**

PH Prentice Hall  
McG McGraw Hill  
RI R, Irwin  
HM Houghton Mifflin  
UCP U. of California Press  
MAC Macmillan  
LB Little Brown  
GLE Glencoe Press

## ATTACHMENT H

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