

PROJECT FORMULATION FRAMEWORK

COUNTRY : NEPAL

DATE : 15 MARCH 1991

PROJECT NO : NEP/89/003

PROPOSED TITLE : STRATEGY FOR PRODUCTIVITY IMPROVEMENT

ESTIMATED DURATION : 36 MONTHS

Tentative UNDP Cost

Sharing Contribution : US \$1,090,000

Sources of Funds : IPF

Estimated Counterpart Cost : NRs. 4,794,400

CONTENTS

					<u>Page no.</u>
A.	<u>Development Problems</u>	-	-	-	3
	1.At the sectoral and sub-sectoral level	-	-	-	3
	2.At the level subject to solution by the proposed project	-	-	-	6
B.	<u>Concerned Parties/Target Beneficiaries</u>	-	-	-	8
	1.Project identification	-	-	-	8
	2.Target beneficiaries	-	-	-	9
C.	<u>Pre Project and End of Project Status</u>	-	-	-	9
	1.The present situation	-	-	-	9
	2.End of project situation	-	-	-	12
D.	<u>Special Considerations</u>	-	-	-	13
E.	<u>Other Donors and Programmes Active in the Same Sub-Sector</u>	-	-	-	14
F.	<u>Developmental Objective</u>	-	-	-	16
G.	<u>Major Elements</u>	-	-	-	16
	1.Immediate Objective One	-	-	-	16
	2.Immediate Objective Two	-	-	-	24
H.	<u>Project Strategy</u>	-	-	-	27
	1.Direct recipients	-	-	-	27
	2.Project strategy	-	-	-	27
	3.Implementation arrangements	-	-	-	28
	4.Project Components	-	-	-	30
	5.Alternative Strategies	-	-	-	32
I.	<u>Host Country Commitment</u>	-	-	-	32
J.	<u>Risks</u>	-	-	-	33
K.	<u>Inputs</u>	-	-	-	34
	1. Skeleton Budget	-	-	-	34

A. Developmental Problems

1. At the sectorial and subsectorial level.

The Government of Nepal is planning increasing emphasis on industrial development and private sector participation as important measures of achieving economic growth, export promotion and self sufficiency in essential goods. This will require substantially improved performance of public sector management and private entrepreneurs.

Nepal, has been pursuing a policy of planned industrialization since the early 1960s, and although significant progress has been made over the last 50 years in changing from an agrarian economy to a mixed economy, the performance of the industrial sector has remained disappointing. The contribution of the industrial manufacturing sector to GDP is about 6 percent having increased from approximately 4 percent in the period 1975-1985.

The seventh five year development plan 1985-1990 (7 FYDP)., which has been extended by the Interim Coalition Government, states (P 613) that "during the period, necessary improvements (in industry) in areas such as strengthening management and financial resources will be undertaken to facilitate higher capacity utilization and to achieve greater productivity in industries, in both the Private and Public Sectors. The Government has the target to increase industrial production at the rate of 13 percent per year, throughout the period of the 8 FYDP.

In order to facilitate such growth the Government's focus is on developing human resources, directly increasing incomes, reducing unemployment and under employment and raising the productivity of the whole economy, emphasis is given to bring about structural improvements in industry to ensure industrial production is not adversely effected. Both agriculture and non-agricultural sectors are to be developed, simultaneously with joint effort of government and the private sector, living standards of the people, in general are to be raised by increasing production and productivity and effecting equitable distribution of production.

The 7 FYDP had laid the basis and framework necessary for the development of productivity throughout the economy. This was designed with the assistance of the United

Nations Development Programme (UNDP) and the International Labour Office (ILO). which prepared for government in 1985 a long terms productivity improvement plan (NEP/84/009). Consequently the 7 FYDP entrusts the responsibility for productivity improvements to the then Industrial Services Centre (ISC) which was a department of the Ministry of Industry (MOI). The Industrial Policy (1987) reinforced this strategy by stating (P.20) "A high level National Productivity Council will be formed in order to make the industrial sector as much productive as possible, through an extensive productivity campaign. The ISC will act as the secretariat of this council". The ISC was also nominated by Government as the National focal point for the Asian Productivity Organization (APO). In 1988 the ISC was divested from MOI and registered as a public limited company, and renamed the Economic Services Centre (ESEC) although it retained its responsibility for productivity improvement.

The Governments strategy envisages translating the above objective into concrete activities. Their objective is to raise productivity and improve the living standards of the people through equal distribution of productivity gains etc. However, a major problem is that existing organizations concerned with the delivery of productivity improvement techniques are weak in the skills necessary to bring this about.

Also a strategic focus to coordinate, develop and direct the strengths of productivity services delivery organizations to meet the objectives of raising productivity throughout the economy has not been developed.

The specific organizations concerned with increasing productivity are :-

Economic Services Centre (ESEC)
Management Association (MAN)
Centre for Economic Development Administration (CEDA)
National Administrative Staff College (NASC)
The Faculty of Management (FOM) of the Tribhuvan University.
The Federation of Nepalese Chambers of Commerce and Industry (FNCCI)
and Professional Management Consultants (PMCs).

Until the new Industrial Policy in 1987 a suitable environment for improving efficiency did not exist. Now Government is pursuing a policy of exposing industry to the need for

increased efficiency to stimulate competition to be able to compete in international markets.

Similarly, the relations between labour and employers has not been conducive for meaningful productivity improvement efforts. However, since the advent of the pro-democratic movement in early 1990, the previously imposed single Trade Union - The National Labour Organization - has been disbanded. In its place numerous Trade Unions, and would be Trade Unions, have emerged, most of which are aligned to one of the political parties in the Interim Coalition Government. As a result industry has seen, during the past 12 months, a period of labour unrest, including numerous work stoppages. The question of wages and the minimum wage which is invariably linked with productivity are the main issues that pervades most labour disputes. The experiences of the past 12 months also highlights the absence of a wages policy and a productivity improvement strategy.

As a result of assistance by several multi-lateral and bi-lateral donors in providing tripartite (Government, Employers and Trade Union) conferences, seminars etc. The situation has now improved.

The Trade Unions and the Employers Federation members, who have attended these activities have displayed a responsible attitude and expressed a strong desire for a stable industrial relations atmosphere, fully appreciating that increasing productivity is the only practical way to create economic growth; and raise the standards of living of the community.

The Trade Union situation is still confused and is not likely to be clarified until sometime after the forthcoming elections, when it is expected that democratically elected leaders will emerge. What is obvious is that when this occurs, the Trade Union Movement will be in need of considerable assistance, in persuading their members that improvements in productivity are in their best interest.

The Federation of Nepalese Chambers of Commerce and Industry (FNCCI) is the main representative of the private sector employers in the country. Its membership comprises district Chambers of Commerce and Industry, commodity associations and individual large enterprises. Its overall objective, is the strengthening of the economy in the industrial and commercial sectors, through amongst other things,

policy discussions with government, and providing information and training services to its members. There is a specialist sub-committee of the FNCCI, the Employers Council, who are responsible for all industrial relations matters, including the improvement of productivity. Again their expertise is relatively weak in these areas, consequently to face the challenge of the new pro-democracy era they will require assistance in establishing and maintaining a meaningful dialogue. With Government and the Trade Unions on all matters effecting the productivity of their members.

2. At the level subject to solution by the proposed project.

The government has realized that industrial development is indispensable for the rapid economic development of the country and has therefore, made the objective of industrial growth one of its priority targets, amongst others. One of the outcomes of this realization is the acceptance of a New Industrial Policy in 1987, under which the private sector is accorded the key role in industrial development.

According to the 1985/86 population census there were some 4903 industrial manufacturing establishments of which 4,743 were in private ownership, 106 were controlled by government and 13 under foreign ownership. The sector employed some 74,000 employees of which nearly 10,000 are women.

A recent ILO Sectorial Review Mission report (August 1990) on "Employment, Training, and Labour in Nepal" noted that the employment situation is marked by a high degree of under utilization. The report quotes the National Planning Commission as stating "six percent of the rural labour force is unemployed and two thirds are under employed. In the Urban areas unemployment is again around six percent and under employment about 45 percent" (P 2). By applying the rate of growth in the labour force during 1985-90 of 2.61 percent as implied in the 7 FYDP, plus the present estimated rate of unemployment, 1.42 million additional jobs will need to be created if open unemployment is to be eliminated (P 7). The sectorial review also noted the lack of reliable data on the productivity of public and private enterprises, although it is generally recognized that performance has been poor.

The most comprehensive data available on industrial productivity levels is contained in a report prepared by the United Nations Industrial Development Organization (UNIDO) for

the MOI in 1988. (DP/NEP/86/005). This report indicates that the capacity utilization of some 52 private and public companies, selected for indepth study was less than 50 percent (49.1 percent) of installed capacity. The report also states that output per employee was significantly higher in the private sector than the public sector (between 25 percent and 167 percent higher). However, when compared to foreign owned Nepalese companies, the difference in output per employee was much greater, between 300 and 400 percent. Although, the report urges caution in the interpretation of the statistics.

The major problems suffered by the industrial sector is that the sector lacks any significant investment in modern plant and equipment, there is little innovation, lack of managerial and technical skills and a low wage economy. The only growth areas are those labour intensive industries that take advantage of low wage costs and high export quotas. For example, garment manufacturing for export to other Asian countries and the United States of America (USA).

Whilst there have been significant efforts to improve the supply of middle and low level technical skills, the recipients of such training have not been attracted into Private sector employment. They have preferred, either self employment, where the rewards are higher, or work in the Public sector where there is security of employment.

At the 'micro' enterprise level the major constraints to increased performance can be seen as follows :-

Corporate Culture - The private sector entrepreneur's are mostly first generation traders turned industrialists, who lack the long range perspective necessary for the stable development of an industrial enterprise. Few, if any, develop medium to long range strategic plans for business development, or even attempt to design an annual business plan and set production and sales targets. They are not innovative or growth orientated and most lack consciousness of the needs for product improvement, efficient methods of production and systems of cost control

Production Management - Almost all industrial enterprises lack formal systems of production planning and control. There is no linkages between market demand and production. Basic production control mechanisms such as quality control, inventory control, and preplanned

maintenance system, are not well developed. Work methods, tools and equipment and work place layout are all in need of attention.

Finance and Accounting - In general most small and medium size companies do not have proper book keeping and accounting systems. In larger organizations the accounting systems are traditional and are developed only to a stage which is legally necessary. There does not appear to be any tradition of decision making on the basis of financial analysis. The concept of management accounting is little developed or understood.

Labour Relations - The industrial disputes which have come to the fore during the last 12 months have highlighted the poor state of labour relations at the enterprise level. The complaint of employers is that workers are not motivated and undisciplined, absenteeism is high (45 percent plus) and when in work their application is low. They point out that the present Factory and Factory workers act, the only labour legislation, does not specify the responsibilities of workers or state under what terms they can be disciplined. On the other hand the main complaints of workers is that employers refuse to issue letters of appointment and they are treated only as casual labour. There is no security of employment, working conditions are poor, and often wages paid are below the legal minimum wage.

External factors - There are also many factors which effect the efficiency of the enterprise which are outside the control of the management. The inadequate road infrastructure and the unreliability of the transport system, means that abnormally large stocks of raw materials and finished goods have to be kept, tying up large capital sums unnecessarily. Electricity supply is erratic, with frequent interruptions in supply, on occasions for long periods. Finally the banking systems and policies for extending credit and the levels of interest charged, change frequently.

In addition to the above constraints Public Sector Enterprises face further difficulties, in that they are subject to Government regulation, salaries and conditions of service, which were originally designed for administrating the Civil Service and are not well suited to the management of commercially orientated industries.

B. Concerned Parties/Target Beneficiaries

1. Project identification

The problems associated with low economic growth compiled by population expansion were identified by Government in the mid 1960s. However, the pressing need to create new employment opportunities and diversify the reliance of the economy on agriculture, became progressively apparent. It was in the development of the 6 FYDP (1980-85) that the strengthening of the industrial sector received priority as a means of increasing productive employment opportunities and increasing the productivity of the economy as a whole. The problems associated with increasing productivity first came to the attention of UNDP in 1984, when the Government sought the assistance of the UNDP in the development of the 7 FYDP. Consequently, an ILO report on "Policy Making and Programme Planning in Productivity Improvement and Management Development" (NEP/84/009) was prepared, outlining, a strategy for productivity improvement, which in part was embodied in the 7 FYDP. This strategy was further elaborated by Government, with assistance from UNIDO, (DP/NEP/86/005), in the new Industrial Policy in 1987.

2. Target Beneficiaries

The ultimate target beneficiaries will be the consumers at large, who will benefit from improved product quality and stable prices, as a result of the increased productivity of industry. The intermediate beneficiaries will be:-

- Those 74,000 people employed in industry of which 10,000 are female. They will enjoy increased job security and increased income through earnings available from gain sharing plans created by productivity increases, and hence contributing to an improved standard of living.
- The sectors 4750 (approximately) private employers and the Government, as employer for the 106 Public Enterprises, should benefit from increased profitability, by being better able to compete in domestic and foreign markets through increased efficiency.
- The social partners will benefit from a stable industrial relations atmosphere prevailing in the industrial sector, contributing to increased productivity and rising standards of living.

C. Pre-Project and End of Project Status

1. The present situation

The various organizations concerned with the delivery of productivity related services, as enumerated in section A, are currently un-coordinated, and their various strengths are not being focussed towards the achievement of a defined national goal. As a result of the lack of focus, the sparse resources which are available in the country are not being utilized to best effect to meet the desperate need for improving productivity throughout the economy. The present situation which exists in each of these organizations is as follows:-

Economic Services Centre (ESEC)

As a public limited company ESEC is a commercial consulting organization, albeit with close links to the MOI. It is not able to fulfill its mission because of its inherited responsibilities for productivity promotion and other service activities, for which it cannot charge fees.

The overhead costs carried by the company are totally out of proportion to its professional resources. ESEC employ a total staff of 81 but only 24 of these are professional consultants capable of earning fees. When ESEC was part of the MOI (as ISC) it had a cadre of consultants with shop floor, production management experience and basic productivity skills, now only 5 of these persons remain, the other staff are young graduates with little experience. The main strengths of ESEC, at present, is in undertaking industrial feasibility studies and sectorial economic surveys.

Management Association of Nepal (MAN)

Man is a professional association of managers dedicated to raising the status of the profession and ensuring the quality of management. MAN has a significant role to play in private sector in-service management training. It has significant potential in addressing some of the immediate training needs of the private sector on issues which can be covered in intensive, short-term courses. These activities should be encouraged. However, MANs training programmes are losing their appeal and there is a need to re-focus these to meet the demands of industry. MAN realizes its role needs

to change and has recently published a 10 year strategic plan to guide the development of the Association throughout the next decade. MAN has in membership some 645 managers, including some 260 professional management consultants. Currently it employs only a full time secretary, most of the Association activities are carried out on a voluntary basis by the members. The 10 year Strategic Plan envisages the early recruitment of a full time training officer to help develop MANs training programmes and a research officer. These appointments are planned to take place during 1991.

Faculty of management (FOM) Tribhuvan University

The charter for the FOM requires it to produce highly qualified managers, the faculty has a significant role to play in raising productivity in the whole economy by producing well qualified managers. The FOM, due to various financial constraints and academic bias, is unable to meet the national objectives as stated in the 7 FYDP. The faculty is well aware of their deficiencies, and have taken steps to prepare a long term strategy to improve their image and effectiveness. However, there are serious doubts that this new initiative, in its present form, is in the best interests of Nepal or, indeed, of the FOM itself. It is felt that the academic ambitions will not meet the desperate needs of the country for managers skilled in the techniques necessary to improve the efficiency of the present low level of the economy, but would be more attuned to the highly industrialized economies of the Western World. Because of the important role that the FOM faculty can and should play in raising the productivity of the economy a separate indepth analysis of FOM needs, versus demands should be made at an early date, as the basis for a separate assistance project.

National Administrative Staff Collage (NASC)

The strategy for the development of NASC, with the objective of strengthening the Civil Service in administrative reform, has been well directed. Whilst, in the traditional environment, that exists in Nepal, NASC services have also been extended to Public Sector industrial corporations. In the new era of privatization and trade liberalization this may not meet the needs, as the administrative skills taught by NASC are not appropriate to the needs of commercially orientated companies operating in a competitive environment.

Professional Management Consultants (PMCs)

The management consultant profession in Nepal is not well developed. There are many professionals who call themselves PMCs but who only practice in a spare time capacity to supplement their income from regular employment. MAN has some 260 members who have registered themselves as consultants, but there is no data on their areas of expertise or experience. Recently, the UNDP have undertaken a survey of management consultancy resources with a view of compiling a register of expertise available by subject

area. The UNDP lists consist of 62 consulting companies and 231 individual PMCs. An analysis of the prospectuses of the consulting companies reveals that only eight are concerned with Human resource development, and of the 231 individual PMCs registered, only 13 are concerned with the wider aspects of productivity improvement. All these are part-time consultants and none have any experience at the shop floor level. The evidence suggests that, only in a minority of cases were clients completely satisfied with the services they had received from management consultants. The main complaints were:- unethical conduct (indiscretion), untimely presentation of reports, lack of commitment to the assignment and poor quality of work. The few clients who were satisfied felt they had received good value for money spent.

It can be seen, therefore, that professional skills in-country for raising productivity in a practical manner are more or less non-existent. There are no international consulting companies in this subject area, with resident offices in Nepal.

2. End of Project situation

The organizations mentioned above, who are concerned with the delivery of productivity services will be strengthened and delivering needs related services to their members and clients. These activities will be undertaken within the frameworks of a Nationally agreed framework and implementation strategy sharply focussed towards the objective of raising productivity throughout the economy. Such a national policy is being determined by a high level tripartite National Productivity Council, and the implementation strategy coordinated and encouraged by a full time professional secretariat, the National Productivity Centre. The responsibilities of each of the delivery organization is as follows :-

Economic Services Centre (ESEC)

The ESEC focus will be widened and strengthened so that it is capable of producing productivity improvement consultancy and training at shop floor level, thus filling the gap which currently exist in the country for the provision of these services. ESEC will be smaller with many of its non-fee earning activities, such as productivity promotion and its responsibility for the coordination of the APO activities in country, will have been transferred to the new National Productivity Centre, consequently ESEC is in a better

position to be able to survive financially and develop as a commercial management consulting organization.

Management Association of Nepal (MAN)

The MAN is producing in-service management training through their regular training programmes, seminars and talk programmes, which are focussed on the needs of their members in improving the level of management. Developing and producing cases studies from experiences gained through practical workshops. Such case studies are being used by the productivity promotion campaign. Finally, the MAN has established from its membership, a Management Consultant Association. A code of conduct for undertaking management consulting and professional standards of practice have been published, for PMCs, to ensure a high level of professionalism, and MAN is providing regular training courses to ensure PMCs are capable of meeting those standards.

The Association is continually monitoring effectiveness to ensure that management consultants are providing a high level of professional services. Thus contributing to the status of the profession, and contributing to increased productivity throughout the economy.

National Administrative Staff Collage (NASC)

NASC is continuing as at present in providing high quality administrative training and consultancy to the Civil Service and Public Sector. However, they have reoriented their public sector activities, on to a more commercially orientated basis.

Professional Management Consultants (PMCs)

The PMCs are enjoying renewed confidence in their ability to provide productivity needs related services to their clients. Through the guidance, and advice of the new Consultants Association the PMCs are able to focus and develop their services towards the National objective of raising productivity.

D. Special Considerations

1. The development of a national strategy for improvement of productivity throughout the economy, is a long term developmental programme. The proposed project is intended as a first step, with the objective of targeting the industrial sector, which is one of Governments principle priorities, as a model to be replicated in other economic sectors in the medium to long term. At present the country, is in transition,

moving toward a new democratic era, which commences with the election's to be held on the 12th May 1991. Therefore, the economic policy of the elected Government is yet unknown. Also with the emergence of free trade unions, the eventual structure of the trade union movement is still unclear and will not be clarified until after the elections. However, the Interim Coalition Government (currently running the country), the Employers Federation and the present obvious leaders in the Trade Union Movement are all unanimously agreed that, increasing productivity is the only way to uplift the economy and raise the standard of living. The proposed project is just one component, along with several others, which is intended to contribute to this common objective. The main thrust of the project is to impact on productivity levels at the "micro" enterprise level and therefore, project implementation will be through collaboration with non-Governmental organizations (NGOs) and grass roots organizations. Private Sector and Public Sector productivity services delivery agents will be used in project execution . The achievement of the immediate objective's success criteria will, to a large extent, depend on the response of the private sector industrialists.

2. There are no negative impacts which are apparent, if the project is implemented in accordance with the Project Strategy set out in section H and the impact of other assistance programmes set out in section E are as expected.

E. Other Donors and Programmes Active in the same subsector

1. UNDP/UNIDO Assistance in Industrial Planning and Implementation NEP/90/020

The Projects primary function is to build institutional capabilities within the planning division of the MOI for industrial planning, formulation of environmental policies and plans and monitoring plan implementation at all levels.

2. UNDP/ILO assistance to FNCCI NEP/88/019

The main objective is to facilitate the restructuring of FNCCI to carry out its mandate. That is, to contribute to the strengthening of statistical information useful to the business community; to discuss and analyze economic policies and plans and make pertinent suggestions to Government; to undertake training courses for its

members, to enhance exports and joint ventures; and to establish a working relationship with public sector industry to achieve mutual benefit.

3.UNDP/ILO Management Development of Consultancy and training services at NASC NEP/89/005

To assist NASC to be the catalyst for administrative reform of the Civil Service and the Public Sector. Following a management development needs assessment, the project will focus on internal systems development, structural adaptation and integration and expansion of new and continuing activities, through the upgrading and utilization of its training and consulting activities.

4.UNDP/ILO Strengthening planning in the Ministry of Labour and Social Welfare (MOLSW)

To assist the MOLSW to formulate, review and up date detailed strategic manpower plans to facilitate achievement of National Planning objectives. The project also assists the MOLSW to develop its capacity to plan its internal administrative functions and responsibilities on a long term basis.

5.GTZ - * Small Business Promotion Project (SBPP)

The project offers entrepreneurship training and consulting services to small scale entrepreneurs. It was established in 1983 as a model for other training institutions in the country. SBPP offers management training, training of trainers courses and consultancy services in new business creation and project identification amongst other training courses.

* The definition of small business is loosely interpreted. The average size of business serviced by the project has 20 employees and the largest 200 employees.

6.UNDP/ILO Social Security Ph 11 NEP/90/31

To strengthen the social security section of the MOLSW and prepare a draft Social Security Act.

7.UNDP/ILO Labour Legislation NEP/90/029

To prepare draft legislation on all aspects of Labour Law. To date, a draft Trade Union Act, and legislation on the prevention & and settlements of labour disputes has been prepared. This is intended to be followed by the drafting of an Employment Act.

8.UNDP/ILO Industrial Relations NEP/90/024

Following a series of tripartite conferences and seminars, the Government requested ILO to provide a draft "long Term Industrial Relations Strategy". The strategy addresses the building of the necessary mechanisms and institutions, on the part of the Government, workers and employers, including those with tripartite structures, such as the Labour Advisory Council and any proposed Wages or Productivity Councils. The objectives of the plan includes "to promote the enactment and implementation of all legislative and policy measures, aimed at promoting sound labour relations, labour management cooperation, productivity improvement and social justice as essential elements for development". The strategy provides for the necessary legislative framework and the necessary prerequisite tripartite mechanisms to be in place, which are essential for the successful execution of this proposed project.

F. Developmental Objective

- 1.To nurture the productivity culture within the country and provide a focus for the promotion of productivity improvement and development.
- 2.The developmental objective supports the policies set out in the Governments 7 FYDP and is in line with one of the principle themes in the UNDP draft Fifth Country Programme.

G. Major Elements

1.Immediate Objective One.

The tripartite National Productivity Council is coordinating and directing, through the National Productivity Centre, the productivity promotion campaign and the delivery of supporting services.

Success Criteria

Measurable improvements in the productivity of those industrial enterprises who participated in the Productivity Centre's activities, can be seen and quantified.

OUTPUT 1.1

A National Tripartite Productivity Council established and meeting on a regular basis to plan, implement and monitor the effectiveness of a consistent and comprehensive productivity campaign

ACTIVITY

1.1.1A tripartite National Productivity Council (NPC) to be established with representatives from concerned Government Ministries, leading industrialists, leading trade unions, academia and relevant professional associations.

Party Responsible for Implementation
Government.

1.1.2NPC to formulate an agreed action oriented productivity promotion campaign and decide the strategy for the delivery of productivity related services. NPC to continually monitor progress revise objectives if necessary, to maximize impact, and prepare an annual report to the Cabinet indicating achievements and future plans.

Party Responsible for Implementation
NPC

1.1.3Five Regional Tripartite Productivity Committee's be established. One in each of the countries development regions, to co-ordinate productivity improvement activities at local level.

Party Responsible for Implementation
NPC

1.1.4A one month study tour will be organized for senior officials in Government, the FNCCI, and the Trade Union Movement to visit the USA. The tour would study indepth, the experiences gained from the USA Department of Labour Programme's for undertaking joint (Labour and Management) action oriented studies at the shop floor level. These studies have the objective of raising productivity and avoiding industrial conflict.

Parties Responsible for Implementation
Project/Government

OUTPUT 1.2

A national Productivity Centre established and fully operational
(see fig. 1)

Activities

1.2.1 An experienced professional with significant standing in the country, is to be appointed as the Executive Director of the Productivity Centre, and four experienced directors to be appointed. The Directors to head the following Divisions within the Productivity Centre,

- Public relations and Productivity Promotion
- Consultancy and Training
- Research and Statistics
- Administration and Finance

Party Responsible for Implementation
NPC

1.2.2 Professional and support staff to be appointed to each of the divisions of the Centre in accordance with agreed staff establishments, recommended by the project.

Parties Responsible for Implementation
NPC/Executive Director

1.2.3A strategic work plan for the Centre, to cover the first 3 years of operation to be prepared and agreed with the NPC. Detailed work plans for each of the operational divisions to be designed and agreed for the first 12 month of the Centre's operations.

Parties Responsible for Implementation
Project/Executive Director

insert diagram sheet

OUTPUT 1.3

A comprehensive productivity promotion campaign designed and implemented. Publicity is consistently being achieved throughout the country.

Activities

1.3.1 The staff of the Public Relations and Productivity Promotion Division will undertake a study tour to visit other National Productivity Organizations who have completed successful productivity promotion campaigns.

Parties Responsible for Implementation
Project/Division Director

1.3.2 The detailed productivity promotion campaign will be designed, incorporating all aspects of the mass media, and the publication of promotional literature. A national programme for productivity improvement competitions to be developed and an award mechanism designed.

Party Responsible for Implementation
Public Relations Division

1.3.3A National Productivity year, will be held in the second year of the project, this will be inaugurated with a high level productivity conference, opened by the Prime Minister, to launch the productivity campaign.

Party Responsible for Implementation
Public Relations Division

1.3.4A comprehensive programme of events, seminars, workshops, competitions, nationally and locally, designed to stimulate awareness of the need to raise productivity will be prepared for commencement during Productivity Year.

Party Responsible for Implementation
Public Relations Division

1.3.5As part of the productivity promotion campaign all APO activities, literature, and training courses will be widely publicized. During Productivity year the APO, will be invited to make specific

contributions to demonstrate the advantages gained from productivity improvement in other Asian Regional countries.

Parties Responsible for Implementation
APO/Finance and Administration Division

OUTPUT 1.4

Professional productivity improvement consultancy and training services are being provided on a regular basis to industrial establishments in each of the countries industrial zones. Relevant statistical data on movements in industrial productivity are continually being collected. The results are being monitored and significant trends published to Employers; Trade Unions and the MOI.

Activities

1.4.1 The staff of the Centre's consultancy and training division, and the industrial relations section will receive overseas fellowship training in productivity improvement techniques and personnel administration, including labour relations.

Party Responsible for Implementation
Project

1.4.2 Facilities will be made available in each of the industrial zones to accommodate the consulting and training staff appointed to those areas.

Parties Responsible for Implementation
Project/Executive Director

1.4.3 Operational manuals for the conduct of consulting assignments in each subject area of productivity improvement will be designed and produced to assist the consultants in undertaking their duties.

Party Responsible for Implementation
Consultancy Division

1.4.4 Training curricula will be prepared for supervisor and worker representative training at shop floor level in productivity improvement.

Party Responsible for Implementation
Consultancy Division

1.4.5A detailed work plan will be developed and agreed for the consultants in each industrial district. Such a work plan to give priority to the establishment of, at least one, demonstration facility in each zone which can be incorporated into the productivity promotion campaign.

Parties Responsible for Implementation
Consultancy/Public Relations Divisions

1.4.6 Regular consulting assignments to be undertaken to identify and diagnose constraints to increased productivity at enterprises level and recommendations for improvement formulated. Implementation of agreed recommendations will either be undertaken by the Centre or contracted out to suitable consultants and co-ordinated by the Centre.

Party Responsible for Implementation
Consultancy Division

1.4.7A relevant suit of productivity indicators will be designed and agreed. These will be used as the basis for measuring the progress being made.

Party Responsible for Implementation
Research and Statistics Division

1.4.8 In conjunction with FNCCI a mechanism will be created where by the Federation will collect statistics on behalf of the Centre and also disseminate the results to its members.

Parties Responsible for Implementation
Research and Statistics Division/FNCCI

1.4.9 In conjunction with activity 1.6.4 the statistical section will continually monitor progress in productivity improvements and publish the results in the Industrial Relations Bulletin.

Parties Responsible for Implementation
Research Statistics/Public Relations Divisions.

OUTPUT 1.5

Inter-sectorial research undertaken to identify the constraints, and quantify the effect, of the efficiency of each sector on other economic sectors' productivity levels.

Activities

1.5.1A programme of inter-sectorial research studies to be developed with the objectives of identifying and quantifying the effect on the productivity of the industrial sector by the efficiency of other sectors, e.g. transportation, energy, etc. As a result, a prioritized programme for such research studies will be compiled.

Party Responsible for Implementation
Research and Statistics Division

1.5.2As a result of activity 1.5.1 priority research projects to be contracted out to suitable research institutes for in-depth study. Such projects will be monitored and co-ordinated by the Research and Statistic Division who would, on receipt of final reports, submit them to the relevant Ministries, with recommendations.

Party Responsible for Implementation
Research and Statistics Division

OUTPUT 1.6

Continuous information service on all industrial relations matters associated with improving productivity is being provided by the Personnel Administration and Industrial Relation Research Section. The section has produced and published codes of best practice and guiding principles on personnel administration procedures.

Activities

1.6.1A Code of Principles to be prepared and published for the introduction of productivity related techniques at shop floor level.

Party Responsible for Implementation
Research and Statistics Division

1.6.2A Code of Guiding Principles and Best Practice to be prepared and agreed for the introduction of job evaluation techniques.

Party Responsible for Implementation
Research and Statistics Division

1.6.3A Code of Principles and Practices to be prepared and agreed to regulate the introduction of

productivity incentive schemes and gains sharing plans.

Party Responsibility for Implementation
Research and Statistics Division

1.6.4A regular bulletin will be published to keep industrialists and trade unions informed of industrial relations matters associated with productivity improvement.

Party Responsible for Implementation
Public Relation Division

2.Immediate Objective Two.

Existing productivity related delivery institutions strengthened and providing coordinated support services to industry.

Success criteria

Each productivity related delivery institution has a full and on-going programme focussed on productivity improvement in industry.

OUTPUT 2.1

The ESEC strengthened and re-organized, is providing productivity related services to industry at enterprise level, on a self funding basis.

Activities

2.1.1The APO functions of ESEC together with other service activities related to productivity improvement, and a core of productivity experienced consultants, will be transferred to the Productivity Centre.

Parties Responsible for Implementation
NPC/Project

2.1.2Recruitment of professional staff to replace those transferred (Activity 2.1.1) will take place at an early date.

Party Responsible for Implementation
ESEC

2.1.3 Suitable candidates be identified, and undertake overseas fellowship training in productivity improvement techniques.

Parties Responsible for Implementation
ESEC/Project

2.1.4 On return from fellowship training, the concerned officers to design training modules for productivity improvement, and implement a training programme for the remainder of ESECs professional staff.

Parties Responsible for Implementation
ESEC/Project

OUTPUT 2.2

A Management Consultant Association has been established by MAN from within its membership. Professional standards are set and MAN is running suitable training courses to enable management consultants to meet these standards.

Activities

2.2.1 A register of all PMCs who are in membership of the MAN to be compiled, giving the qualifications experience and strengths of such consultants.

Party Responsible for Implementation
Project

2.2.2 A Code of Professional Standards and Ethical Conduct to be designed and agreed. Necessary monitoring mechanisms to be developed and training courses designed and implemented to help consultants meet such standards.

Parties Responsible for Implementation
Project/MAN

OUTPUT 2.3

The MAN training programme re-focussed to meet the needs of members for improving the productivity of their own organizations.

Activities

2.3.1 An in-service training programme for practicing managers to be designed to meet the needs of the members

for raising the status and quality of the management profession. Such a programme to be implemented on a pilot basis.

Parties Responsible for Implementation
Project/MAN

2.3.2A short/medium term strategy to be designed for the delivery of the MAN training programme up, to such times as they acquire their own facilities.

Party Responsible for Implementation
Project

OUTPUT 2.4

Relevant productivity statistics are being collected by FNCCI on a continuous basis. As a result, an anonymous interfirm comparison service is established for its members and results regularly published.

Activities

2.4.1A suitable mechanism to be designed which enables FNCCI to collect data from its membership on productivity related matters. Such data will be stored and analyzed by FNCCI. The modality for transmitting such data in an anonymous manner to the Productivity Centre to be elaborated.

Parties Responsible for Implementation
Project/FNCCI

2.4.2An interfirm comparison service, on a sub-sectorial basis, to be designed and implemented in an anonymous manner. The results of such comparisons will be confidentially published on a regular basis to the FNCCI participating membership.

Parties Responsible for Implementation
Project/FNCCI

2.4.3A joint fellowship training programme to be arranged in the Asian Region for four FNCCI nominees and four nominees from the Trade Union Movement in productivity related subjects. These fellowships will ensure that a body of knowledge exists, within each organization, on what productivity improvement techniques exist and how they should be implemented.

Parties Responsible for Implementation
Project/FNCCI/Trade Unions

H. Project Strategy

1. Direct Recipients

In the first instance the direct recipients, who would benefit from the project, are those institutions that are concerned with the delivery of productivity related services. These include, in particular, the Productivity Centre, ESEC, MAN and the FNCCI. In addition other organization such as NASC, FOM and the Trade Union Movement, will benefit from being able to carry out their respective responsibilities within the framework of defined national objectives and strategies, sharply focussed towards increasing the productivity of the Private and Public industrial sectors.

2. Project strategy

The project strategy aims to ensure that the best utilization is made of existing resources, and the strengths of each participating organization are utilized and co-ordinated to achieve maximum benefit.

The FOM would be responsible for producing graduate managers, providing tuition to produce high quality junior managers equipped with the knowledge and skills to initiate and manage productivity improvement programmes.

ESEC will provide the productivity improvement skills required at enterprise level, to both the Private and Public sectors. ESEC would specialize in the identification of constraints and the improvement of productivity at plant level.

The MAN will produce in-service management training to help raise the quality of the management profession. MAN will also develop case studies from the practical experiences of its members, which can be used in the productivity promotion campaign. Finally, MAN will help to regain confidence in the Management Consulting Profession, through the newly formed Management Consultants Association and therefore, encourage increased use of PMCs which ultimately would assist in raising productivity.

NASC will continue as at present, providing high quality administrative training and consultancy to the Civil Service and Public Sector, although its services to Public Sector Industry will be more oriented to commercial goals.

MOI, FNCCI and the Trade Unions and their Regional and District organizations, will provide the means by which information and publicity is delivered to their members, and will provide the mechanisms through which relevant confidential statistics, suggestions and comments are received by the Productivity Centre.

The Productivity Centre will identify the strengths of each of the productivity delivery institutions and coordinate their efforts in line with the National Productivity focus to ensure maximum impact at the "micro" level. As a result of the effective use of these resources, productivity of industrial enterprises should increase and the benefit accrue to the direct recipients.
(see fig. 2)

3. Implementation arrangements.

The proposed project is for a three year initial period with project re-formulation taking place during the third year. Such re-formulation and possible extension, will take into account the experience's gained in the first two years, and the prevailing Government priorities at that time. A medium/long term plan will be prepared for the future of the National Productivity Council and Productivity Centre, upon which the needs for further assistance will be based. As it will take time for the Government to enact statutes to form the National Productivity Council and register the new Productivity Centre under the Societies Act, it is not proposed to wait until these legal requirements are fulfilled before project commencement. It is proposed that the project is initially executed through the existing structure of ESEC under the supervision of a tripartite steering committee chaired by the Minister for Industry. This approach has several advantages:

- a. It allows the due process of the legislative system to continue, without hindering progress.
- b. It assists in the efficient selection, recruitment, and training of the staff of the Productivity Centre. This approach will enable the Productivity Centre to be fully operational on start up, supported by a comprehensive Productivity Improvement Campaign which will be already under way.

c.It provides a much needed learning period for the constituent members of the Project Steering Committee.

insert diagram 2

The Project Steering Committee would comprise of one representative from MOI and MOLSW, two representatives from FNCCI and two from the Trade Union Movement; together with one representative from MAN, NASC, and FOM. The chairman of ESEC would be the committee secretary. It is envisaged that when legal formalities are complete, the steering committee would become the core of the National Productivity Council.

4. Project components

The principle components of the proposed project would be as follows:

- a. Provision of technical assistance to establish the Productivity Councils and Productivity Centre -
54 Person Months(pm)/External Assistance
27 pm/Local Consultants.
- b. Provision of technical assistance to re-focus and strengthen the ESEC -
technical assistance included in (a) above.
- c. Short term technical assistance to FNCCI to build on the proposed UNDP Information System Project NEP/88/019, and provide appreciation training to FNCCI's Employers Committee -
Technical Assistance included in (a) above.
- d. Short term technical assistance to strengthen the MAN training programme and establish the Management Consultants Association -
12 pm (3 split missions) External Assistance.
- e. Fellowship training in productivity improvement techniques for the Productivity Centre, ESEC, MAN, Employers Council and Trade Union Officers -
16 overseas fellowships plus eight regional fellowships.
- f. A tripartite study tour to examine indepth the success of the American Government's programme of Labour and Management joint action studies and productivity improvement programme at shop floor level - Nine pm.
- g. Provision of necessary technical equipment to establish the Productivity Centre and its Regional Offices, and to support the project.

See fig. 3

insert diagram 3

5. Alternative strategies

An alternative strategy was considered, in that the project as envisaged, could be divided into two separate projects. The first project, would produce the outputs described under Immediate Objective Two, that is, the strengthening of the productivity related delivery institutions. The second project would be directed at the achievement of Immediate Objective One, the establishment of the National Productivity Council and National Productivity Centre. This alternative had the advantage of delaying any major Government financial commitment until the Government is thoroughly convinced of the necessity, whilst allowing the strengthening of the delivery institutions to go ahead. However, the strategy has the major disadvantage, that the improvement in productivity will not be seen by the industrialist or the work force as having any significant meaning. Without the support of a National Productivity Campaign, it was judged that impact would be minimal, consequently, the alternative was rejected.

I. Host Country Commitment

1. Both in the 7 FYDP and the New Industrial Policy (P 20), the Government has repeatedly stated its commitment to establish a high level National Productivity Council and a full time secretariat, initially aimed at improving the productivity of the industrial sector, both Public and Private. It is understood that provision is being made in the budget for Fiscal Year 1991/92, for the launching of a productivity promotion campaign. However, a Government contribution of RPs. 4,794,400, as set out in section K, plus the provision of physical facilities is anticipated, although not yet agreed.
2. It will be necessary for legal arrangements to be made to establish the National Productivity Council. Such arrangement would define its roles and responsibilities. Also the National Productivity Centre will need to be registered as a non-profit making organization under the Societies Act, thus ensuring that the Centre can receive Government subsidy.
3. In view of the substantial investment that is proposed for staff training within the Productivity Centre, it is proposed that "Bonding" arrangement's are introduced to ensure that the individuals trained, remain with the Centre for at least two years.

4. In order to attract a high quality of professional staff to the Productivity Centre and provide motivation, it will be necessary for Government to agree to the Centre having flexibility in the design of its salary structure and the provision of financial incentives, based on performance of the staff. The Productivity Centre must be seen as a "Centre of Excellence" when it comes to staff motivation and performance.

J. Risks

Estimated
Likelihood

1. Factors which at the outset may cause delay.

- | | |
|--|--------|
| a. Government may find difficulty in providing local cost budget funds | Medium |
| b. The Trade Union structure may be delayed in emerging | Medium |
| c. Difficulties may be experienced in recruiting suitable local staff to the Productivity Centre and ESEC. | Low |
| d. The Executing Agency may incur delay in fielding suitable international and local advisers | Low |
| e. Fellowship training programme may be delayed | Low |

2. Factors which could, over time, cause major delays or prevent achievement of outputs.

- | | |
|---|--------|
| a. Salary structure of the Productivity Centre staff is inadequate to motivate and retain professional staff. | Medium |
| b. Fellows who have received training do not adequately respond | Low |
| c. Delays incurred in the provision of National and Regional project facilities | Low |
| d. Response to the productivity campaign is low | Low |

K. Inputs

1. Skeleton Budget

<u>Inputs</u>	<u>National Inputs</u>	<u>External</u>
	NRs. (Exchange rate NRs. 32.00 = US \$1)	US \$
Personnel	4,754,400	742,500
Sub-contracts	-	21,000
Training	-	58,000
Equipment	-	181,000
Miscellaneous	* 42,000	87,500
Total :	# 4,796,400	1,090,000

* Salary only
Does not include office space and facilities

2. The costs for equipment include a provision of US \$ 25,000 to establish a technical library within the Productivity Centre. Miscellaneous costs are intended to cover two study tours.

Person primarily responsible for this formulation framework

Signature:

Name : Keith Lewis

Title: ILO Consultant/Team Leader