



UKaid Skills for Employment Programme Challenge Fund Launch

17 April 2019 | Kathmandu

Implemented by:



In Collaboration with



Clear Horizon



INSTITUTE FOR INTEGRATED
DEVELOPMENT STUDIES



Watch a livestream of the UKaid शीप Challenge Fund Launch at the [UKaid शीप Facebook Page](#)

सीप and its Approaches to Transforming the Skills Development and Migration Management Agenda

Prepared for
सीप Challenge Fund Launch
Radisson Hotel, Kathmandu

April 17, 2019



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शीप Overview | Project Scope

- Project with over four years duration
- Alignment with Federal (MoLESS/PMEP) and Provincial Skilling and Migration Related Priorities
- Nationwide with focus on key transformational sectors- ICT; Light Manufacturing; Agribusiness; Tourism; and Hydropower
- Geographic emphasis in Provinces
- Over £9M in challenge funding for co-investment with private sector in innovative and sustainable skilling and migration models

Goal: Better train and place Nepalis in both domestic and international jobs
Resulting in at least **90,000 Nepalis** with an increase in income of **at least 20%**
attributed to the project.
40% will be women
30% from Disadvantaged Groups (DAGs) including PwDs

Our Key Operating Principles

- **Collaborative:**
 - **with MoLESS** to promote long-term economic development goals in key sectors coupled with skilling/migration strategies to support Prime Minister Employment Programme (PMEP)
 - **with PM Office and GoN entities** on addressing policy/legal and regulatory barriers
 - **with industry** including anchor firms and industry bodies, including those in host countries for safer and reduced costs of migration
 - **with emerging SMEs; entrepreneurs and entities with sustainable skilling models for PwDs**
 - **with other donors/development partners** working in related areas
- **Market-led:** promoting private-sector/employer led models; including PPPs
- **Inclusive:** incorporation of PMEP targeted beneficiaries, women, DAGs, and PwDs including in non-traditional sectors
- **Co-Investment:** leveraging private sector resources with challenge funding to promote sustainable skills and migration models
- **Innovative:** adoption, adaptation or invention of new concepts

- Engaging with private and public sectors (including other skills players).
- Catalyzing partnerships and investments and together building a skilled workforce for increased employment generation and business productivity.

The vibrant colors of the hands represent Nepal's 5 transformational sectors with growth and employment potential:

- Yellow: Construction
- Dark Blue: Light Manufacturing
- Green: Agri-Business
- Magenta: Tourism
- Light Blue: ICT

The 5 hands also represent a skilled labour force and सीप's 5 Key Operating Principles

- Collaborative
- Market-led
- Inclusive
- Co-Investment
- Innovative

Use of the crisp & clear fonts represents our resolve as a programme to be impactful and evidence driven.



सीप
SKILLS FOR EMPLOYMENT
PROGRAMME

The world map with focus on Nepal represents migration management & positioning Nepal's skilled workforce on the world stage.

Identified Sectors for Our Involvement are Significant to Socio-Economic Growth

Sector	Export Potential 	Economic Potential 	Job Potential 	Inclusivity Potential 
Commercial Agriculture	High	Medium	High	High
Light Manufacturing	Medium	Medium	High	High
Construction/ Hydropower	High	High	Medium	Medium
Tourism	High	Medium	High	High
ICT	Medium	High	Medium	Medium

Economic Transformation and Skilling – Go Hand-in-Hand?

Low Value Added Per Worker for Manufacturing

Country	Value Added per Worker (GBP per annum) 2011/12
India	3,123
Bangladesh	1,963
Kenya	2,363
Vietnam	2,436
Mozambique	3,722
Global Average	17,200
Nepal	1,380

Source: World Bank, 2011/12

+

1.7%

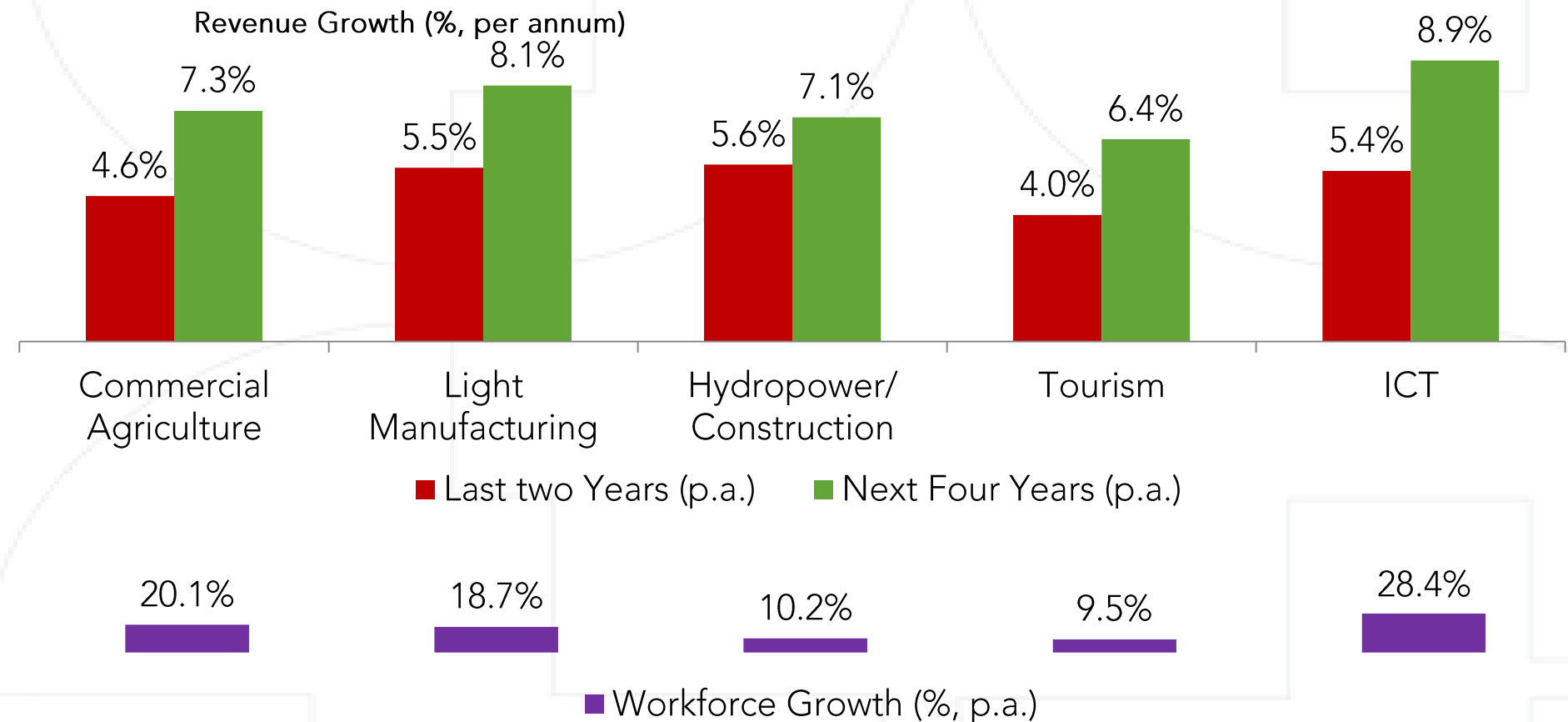
Growth in labour productivity
(2011-2017)

Low Skill Trap

*Low Demand for
Skilled Workers*

What Have we Learnt- Growth has been slow, but the industry is Bullish about the Next 4 Years

- Over 500 discussions/ engagements with stakeholders across Nepal through:
 - In-depth discussions (>100)
 - Firm-level survey (>240 firms)
 - Ideation Labs (>120)
- Assessment of Macroeconomic & Labour data for Nepal (and the region)
- Review of past approaches/ reports by DFID/ ILO/ SDC/ODI/WB and others



Addressing the Challenges & Gaps Across Sectors of Our Focus

Commercial Agriculture	Light Manufacturing	Construction/ Hydropower	Tourism	ICT
Except for large groups, processors are not engaging with cultivators	Lack of competitive advantage	Energy Storage and Transportation Lacking (Province 5 has only 0.5% of country's installed capacity)	Service delivery below global standards due to lack of a defined service culture, difficulty finding skilled, experienced workers.	Few large firms (Employees > 100), majorly MSEs and freelancers.
Quality and cost of produce is not comparable to India	Inability to recruit and retain skilled employees	Most job roles require special technical skills	Skills gaps are prevalent across the board	Engineering graduates lack depth of knowledge (advanced trainings)
Farming is not considered a job with dignity by Nepalese	Heavy dependence on foreign workers for labor	Dependence on foreign capital and expertise	Emergency response (first-aid, etc.), culinary, communication skills are lacking	Risk of scaling up due to lack of trained resources
Farmers need to know about bio-security, farm management, packaging, labelling	Lack of practical training – CTNET does not provide hands-on training	Most of the workers are seasonal in nature	Lack of investment in developing new / updated tourist products & infrastructure	Lack of soft skills (e.g. initiative taking, email, English, etc.)
Lack of post-harvest (Warehouse, Logistics, etc.)	Lack of entire value chain in Nepal (e.g. secondary processing, electricians)		High turnover of skilled labor	Small number of trained ICT professional to take on AI and CC related opportunities

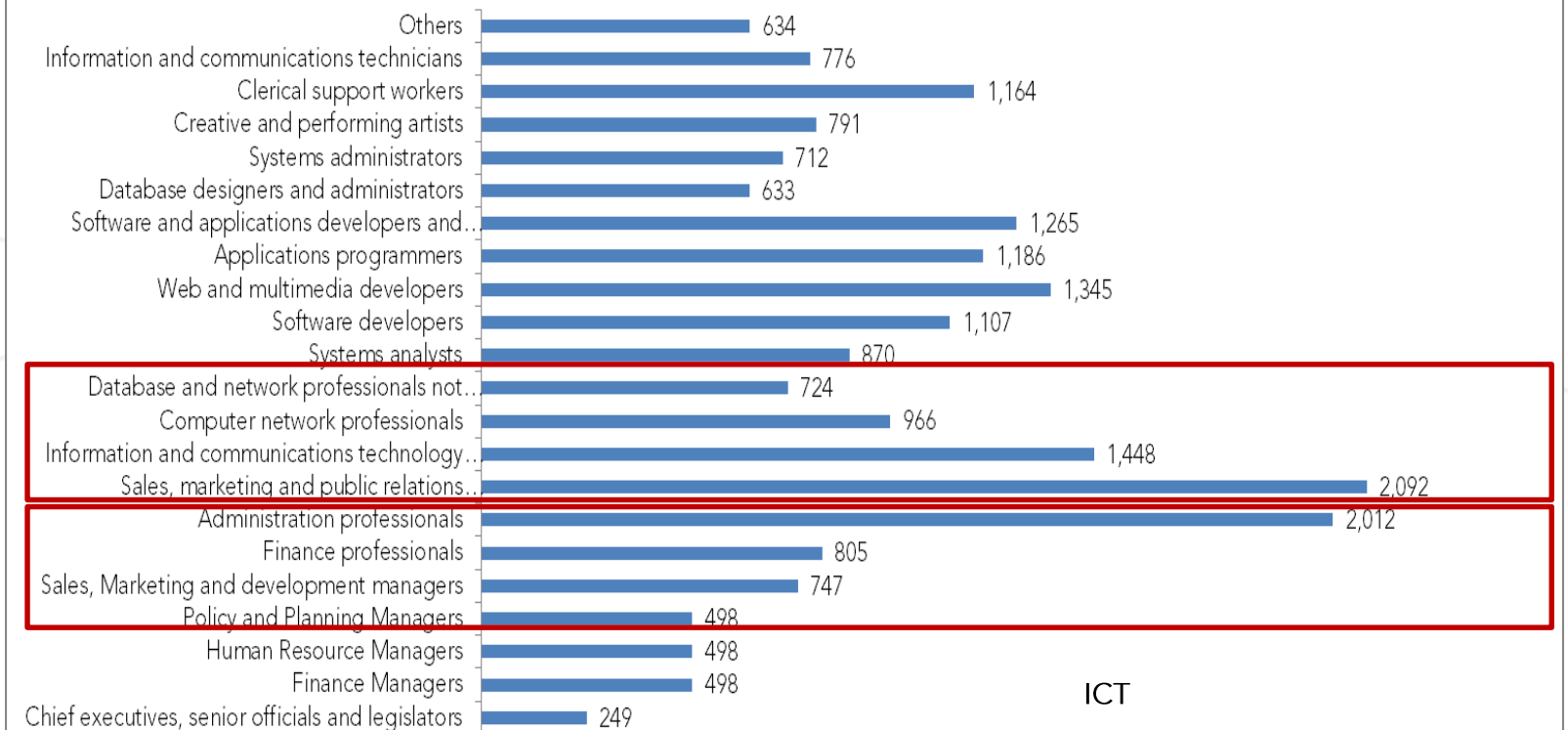
Demand for Skills in our Focus Sectors

Commercial Agriculture	Light Manufacturing	Hydropower	Tourism	ICT
Digital Literacy	Plant/ Machine Operators	Specialised Construction Skills (e.g. tunnelling, special electronics work, and bridge-building expertise)	Hospitality-related Skills (such as front office, housekeeping, landscaping, masseurs, hotel managers)	Software Development (such as software testing & quality assurance, Data Analytics, Cloud-computing, AI Database Management)
Technical Assistance for input and market linkages	Machinery Maintenance & Repair			
Packaging & Labelling/ Branding & Marketing	Packaging & Labelling	General Construction Skills	Lodge-Management (such as small business management and digital skills)	ITeS (IT-enabled Services) related skills (such as data processing, customer care professionals, call centre operators)
Quality Control & Testing	Quality Control & Testing			
Heavy Machinery Operators & and Repair	Logistics/ Warehousing		Food & Beverage (such as cooks, waiters, baristas)	Project Management/ Engagement Management
Warehouse Operations	Industrial Relations			
Feed formulation	Leadership Skills and Human Resources			
Farm Management	Extended Value Chain related Skills	Project Management Skills	Tour & Trek Activities (such as tour guides, hiking guides, trekking and mountaineering guides)	Telecommunication (such as fibre/optical cable installation, GSM Installation, air-conditioning and generator maintenance, IT technicians, Repair and maintenance technician)

Where are the Jobs in the Next 4 years?

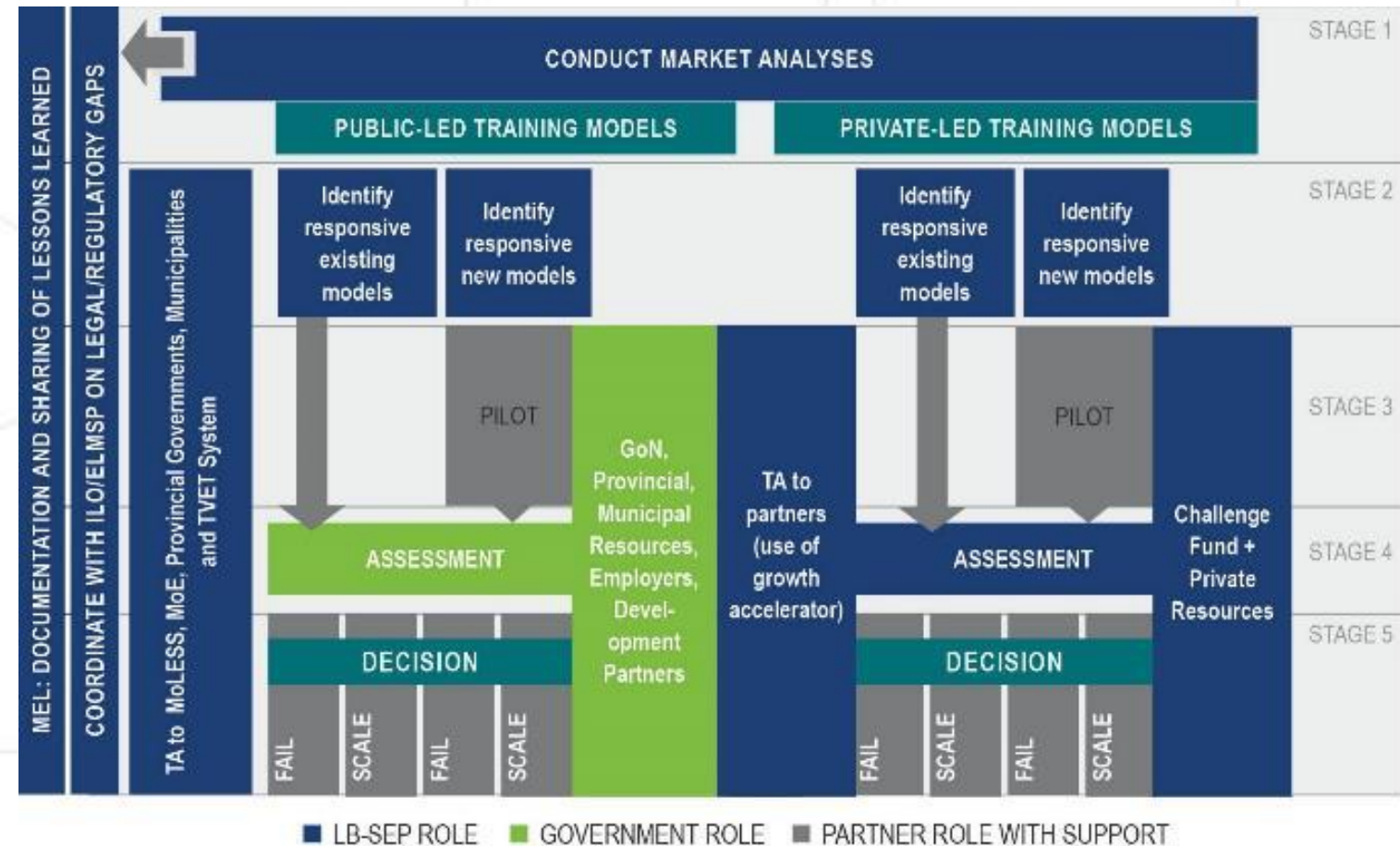
Sector	Jobs in Demand (Low Case)	Jobs in Demand (High Case)
Commercial Agriculture	4,271	5,351
Manufacturing	291,560	365,245
Hydropower/Construction	10,726	13,436
Tourism	169,065	211,792
ICT	21,019	26,331
Total	496,641	622,155

Source: Analysis based on सीप Firm Level Survey (2018)



सीप Approach – Skills and Migration

- Mapping skills and migration sector ecosystem; existing skills training and migration management models
- Skills gap analysis by sector and by migration corridors to gauge employment potential and inform innovative models
- Mapping of market failures to develop a structured programme response
- Piloting models and scaling-up what works based on evidence using Challenge Fund
 - Co-investment approach
 - Investment Decision Making Principles
- Working with GoN (MoLESS; PGs/LGs; ESCs) on PMEP; skilling/migration systems and provincial/municipal skilling/migration programmes
- Coordinating with donors and other programmes



सीप will Address Skills Market Failures



Ecosystem Imperfections: Lack of coordination among stakeholders, lack of practical training, low quality of trainers



Low Skill / Technology trap: Little impact on wages after skill development, experience over degree, lack of competition, lack of incentive for skill transfer



Imperfect Information: lack of information about the right skills among potential workers, lack of dignity of labour for jobs considered lowly, and low focus on continuous education



Inequitable access: Issues related to access to skill development for different group of workers, lack of financial ecosystem



Risk of Attrition: Risk of workers leaving the company once they have been trained or migrating overseas

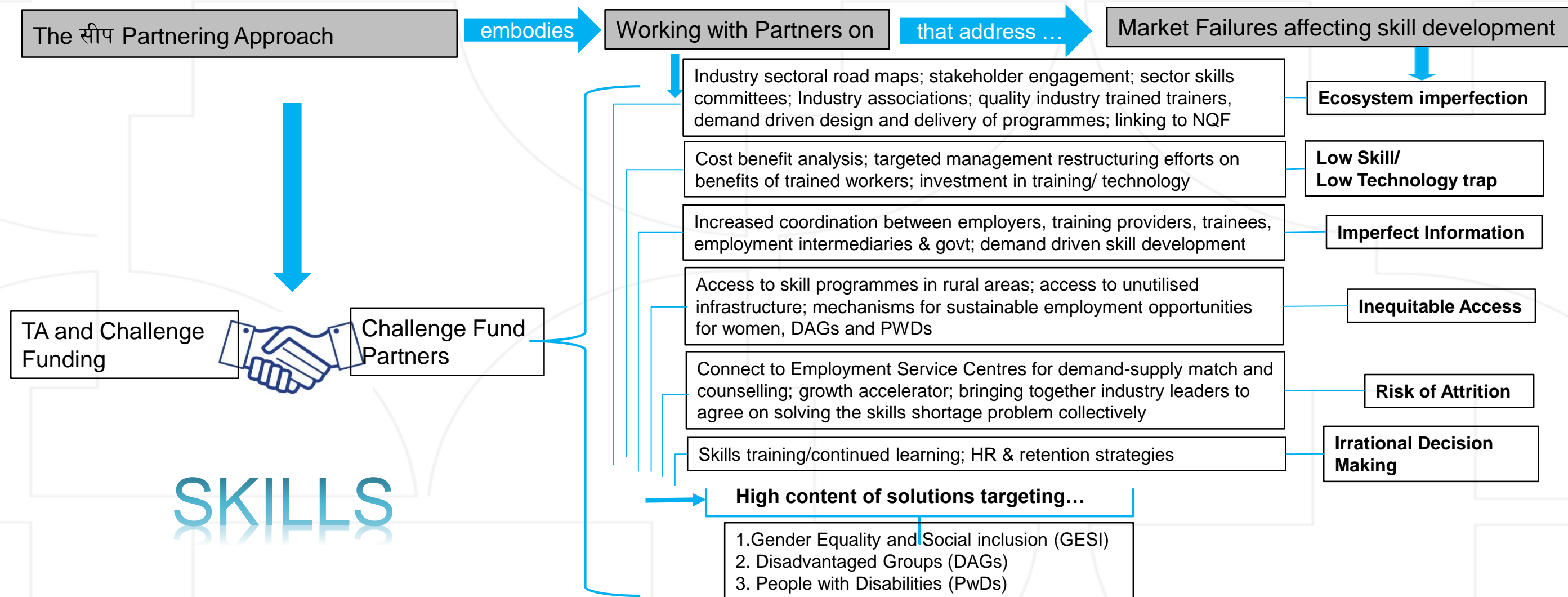


Irrational Decision Making (Short-termism and Budgetary Constraints): Underinvestment in Human Resources department

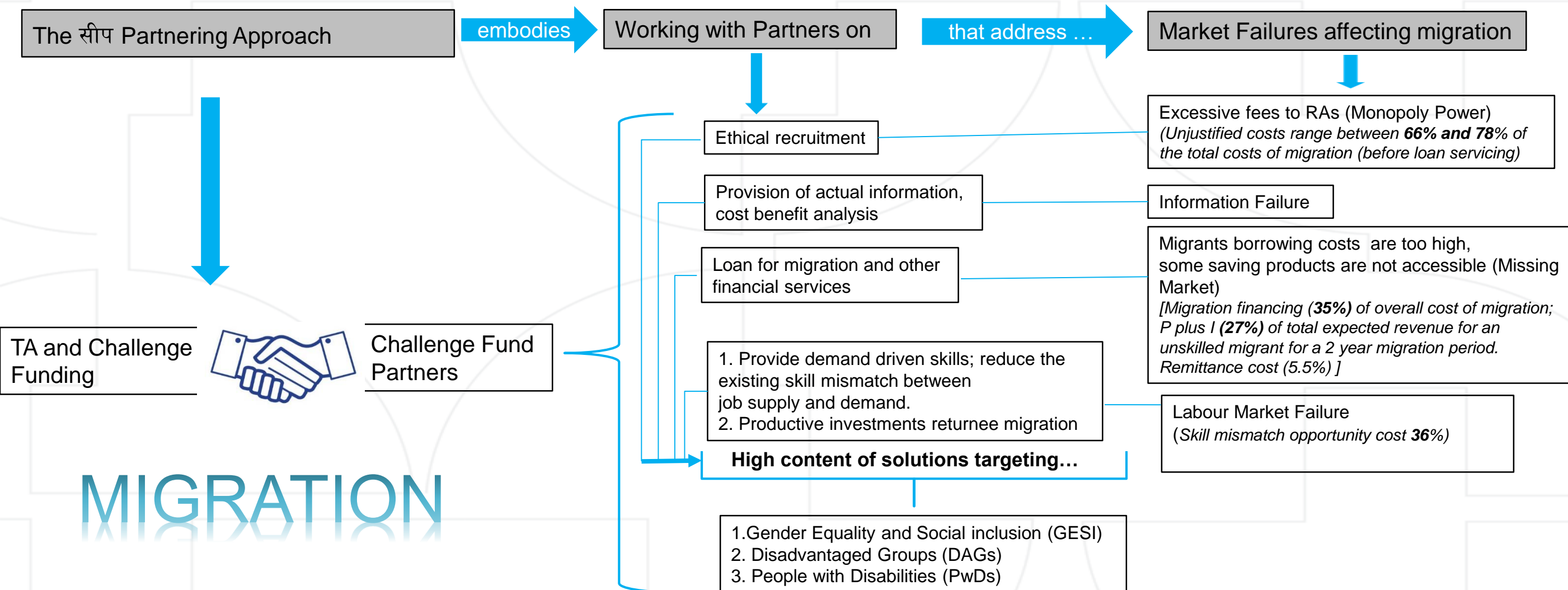
सीप Will Address Migration Market Failures

Monopoly Power (Cost of monopoly are high prices, less choices)	Information failure (Information asymmetry)	Missing markets	Labour Market Failure
<ul style="list-style-type: none"> Recruitment agencies occupy a monopolistic position on the migration market and determine unilaterally the price/cost to migrate Migrants pay unjustified excessive cost to migrate Migrants are forced to borrow more (often from informal sources) money than they should 	<ul style="list-style-type: none"> RAs are the sole providers of information on job availability abroad Lack of factual information from alternate sources Migrants take uninformed decisions Migrants are not in a position to evaluate cost and benefits of migration 	<ul style="list-style-type: none"> Migrants have to resort to the informal financial sector and pay exorbitant interest rates Banks and financial institutions are not accessible to migrants 	<ul style="list-style-type: none"> Majority of Nepali migrants are unskilled. Skill mismatch for better paying jobs abroad Loss of acquired skills and motivation for returnee migrants due to mismatch between acquired skills and jobs available in Nepal Recognition of Prior Learning (RPL) not formalised

सीप's Intervention Points with Partners – Through TA and Challenge Funding



सीप's Intervention Points with Partners – Through TA and Challenge Funding



MIGRATION

सीप will Work With Partners on Piloting and Scaling-Up Partnerships Through Challenge Funding

Piloting

Performance Assessment

Scale-up

On-going support

1) Internal Audits
2) Evaluation of pilot project

Performance
assessment

- Finalise ToC and MELPs for projects.
- Develop and implement performance and impact assessment tools/approaches.
- Monitor and generate qualitative and quantitative data and performance.

- Market Failure addressed
- Potential Beneficiary reach
- Demonstrate Innovation
- Degree of inclusion
- Efficiency of implementation
- Effectiveness of project
- Sustainability potential beyond project life.
- Scalability Potential - scale up/out/deep.
- Value for Money

Review design
of project prior
to scaling

CHANGE

Progress to
scale-up
stage

KEEP

Applicant
informed
project will be
stopped

DROP

Overview of the शीप Challenge Fund

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History of Challenge Funds

Disbursed over GBP 101K between 1714 - 1828

Grants and rewards for solutions of navigational problems

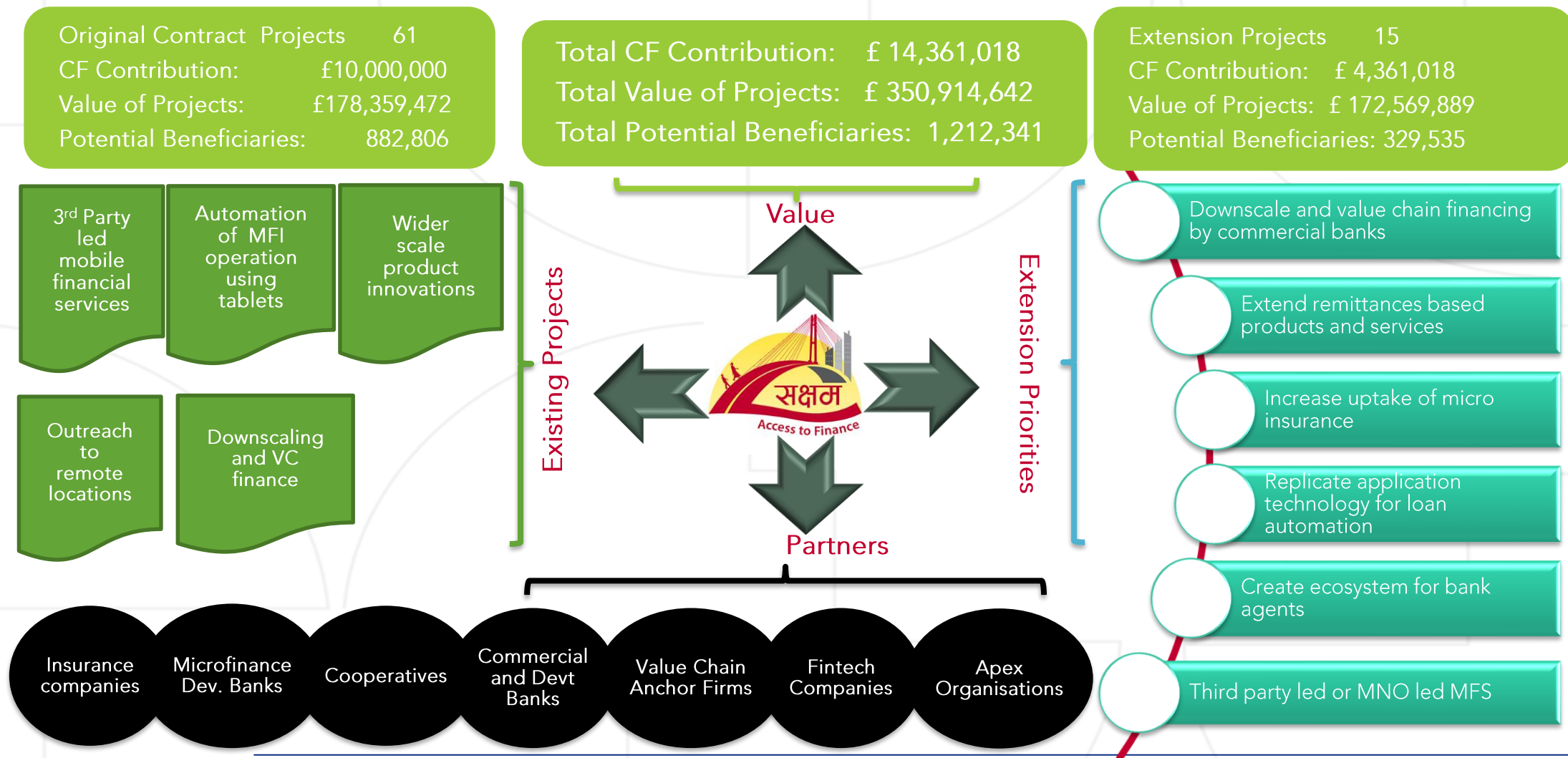
Challenge Funds are innovative way to engage with private sector

Modern Challenge Funds began in the 1980s (UK)

Challenge Fund model used by many development partners to support private sector-led development



Louis Berger's Challenge Fund Experience in Nepal



Purpose of Challenge Funds

To leverage existing
capacity & creativity
of private sector

To encourage organizations
to identify pro-poor
innovations that enables
them to understand what is
possible and profitable in
low income markets

To develop business
approaches to
reach poor
communities
efficiently, effectively
& timely

शीप Challenge Fund Windows designed to address Market Failures

Window 1: Employer / Industry Led Training Models (apprenticeships, on the job training)

Window 2: Provider Led Training Models (Training & placement, Recognition of prior learning)

Window 3: Training Models Specifically for GESI & PwDs (aimed at non-profit organizations, civil society and community based organizations)

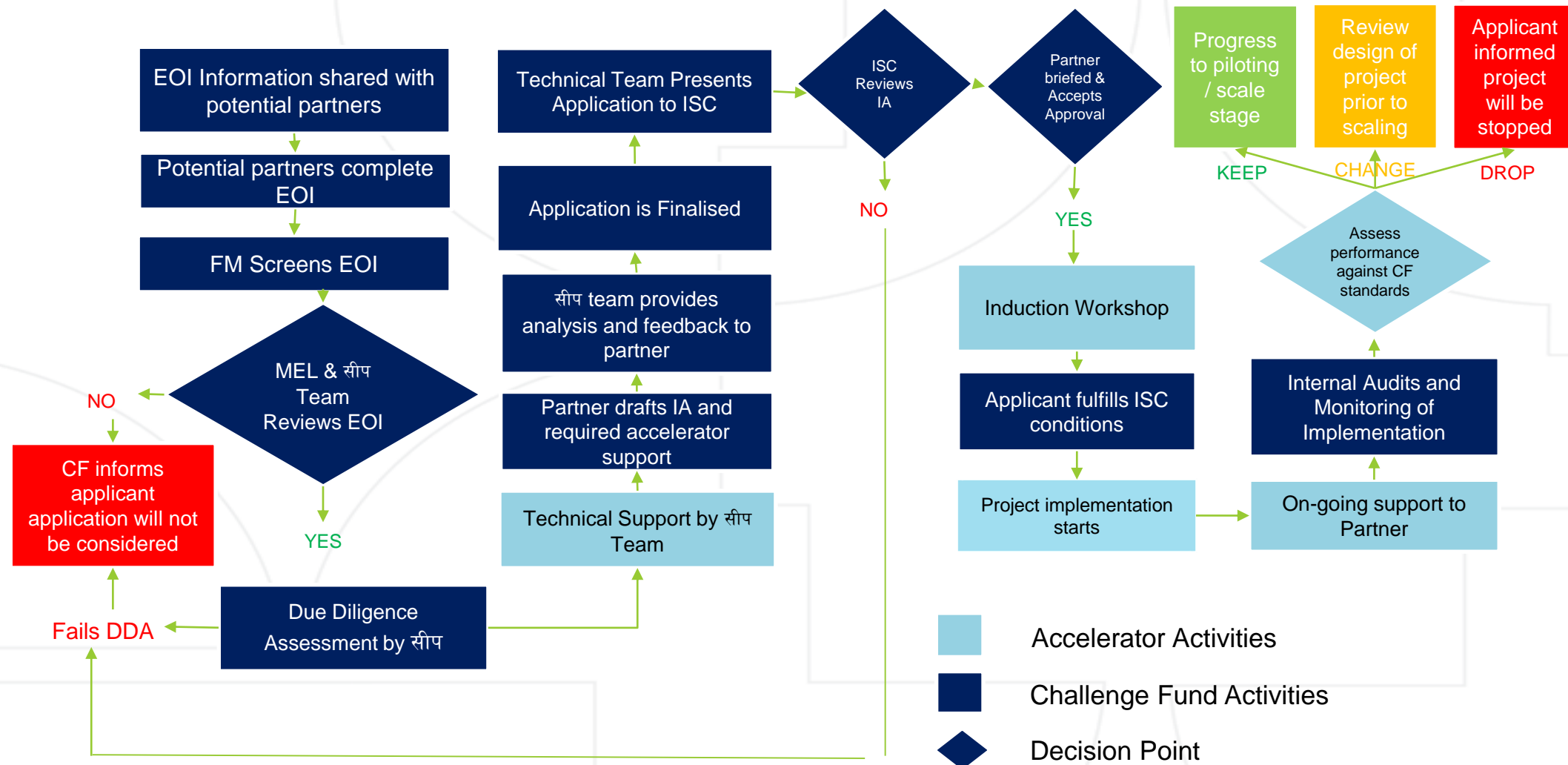
Window 4: Open to encourage non-prescriptive skills development proposals (addressing the known unknowns; aimed at fostering innovation)

Window 5: Cost of Migration and Ethical Recruitment (ethical standards, reduce cost of migration)

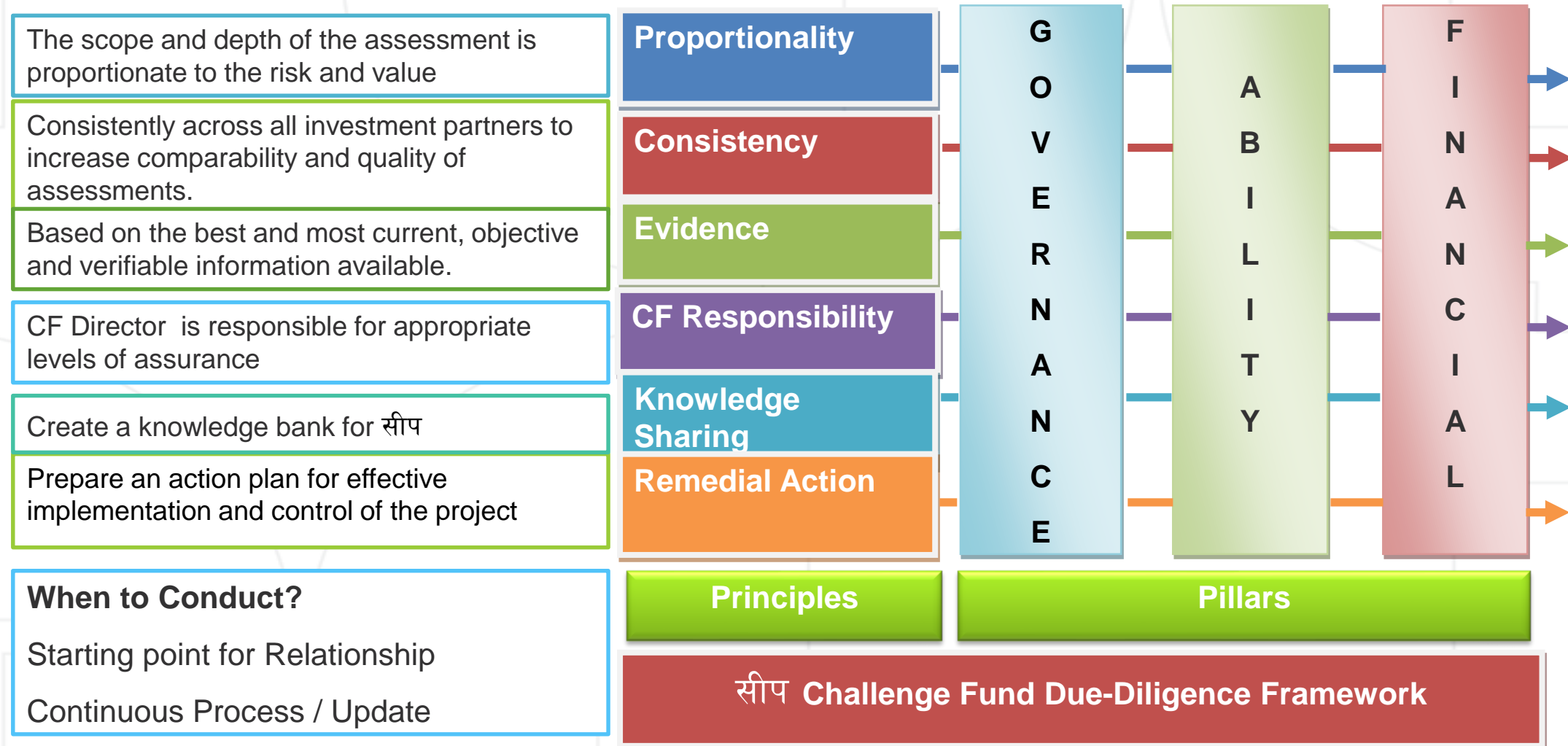
Window 6: Savings and Investment (BFIs design savings, loan and investment products for migrants, their families and returnee migrants)

Window 7: Open to encourage non prescriptive migration proposals (addressing the known unknowns; aimed at fostering innovation)

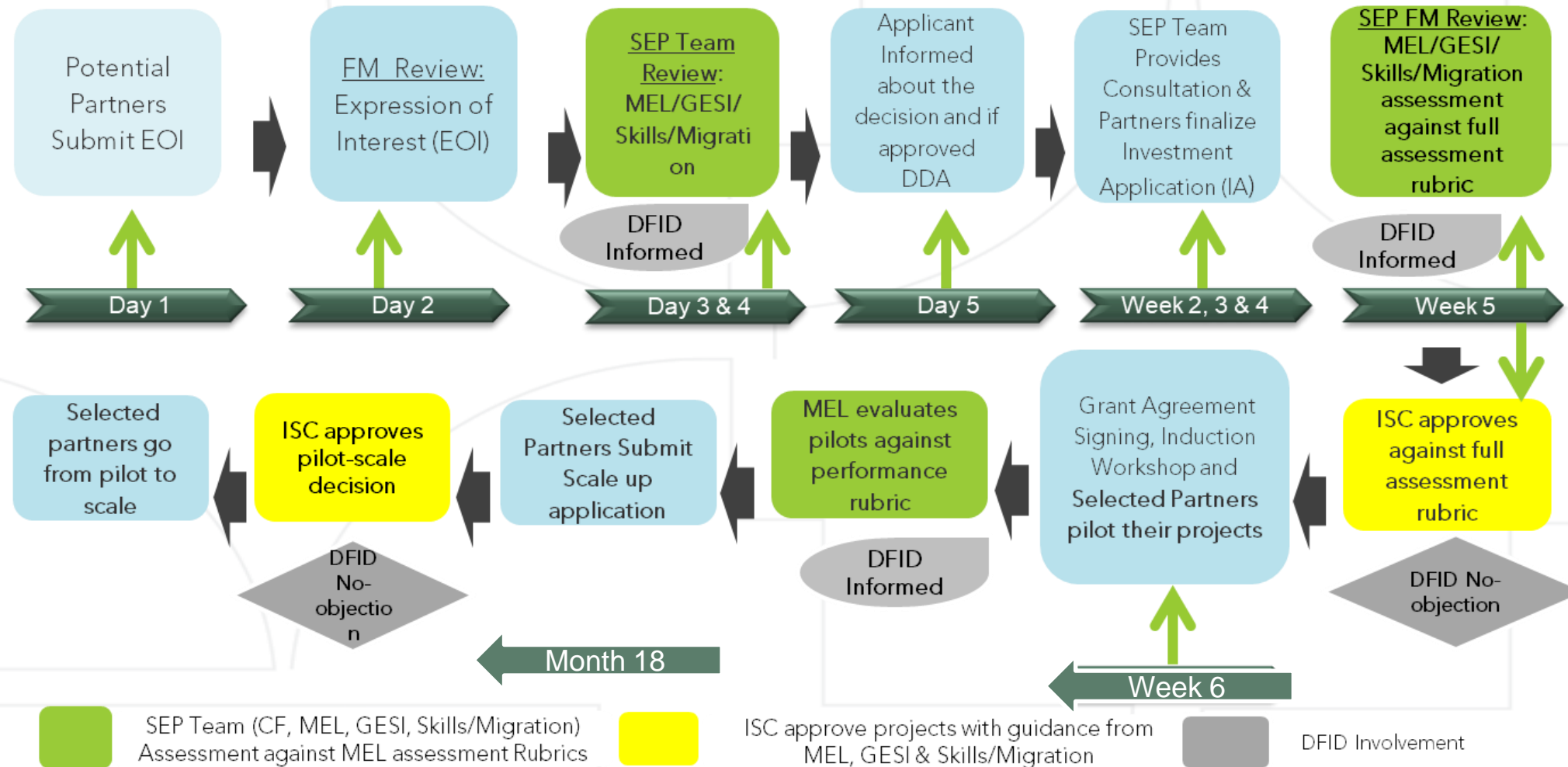
सीप Engagement Process through CF



Principles and Pillars of Due-Diligence

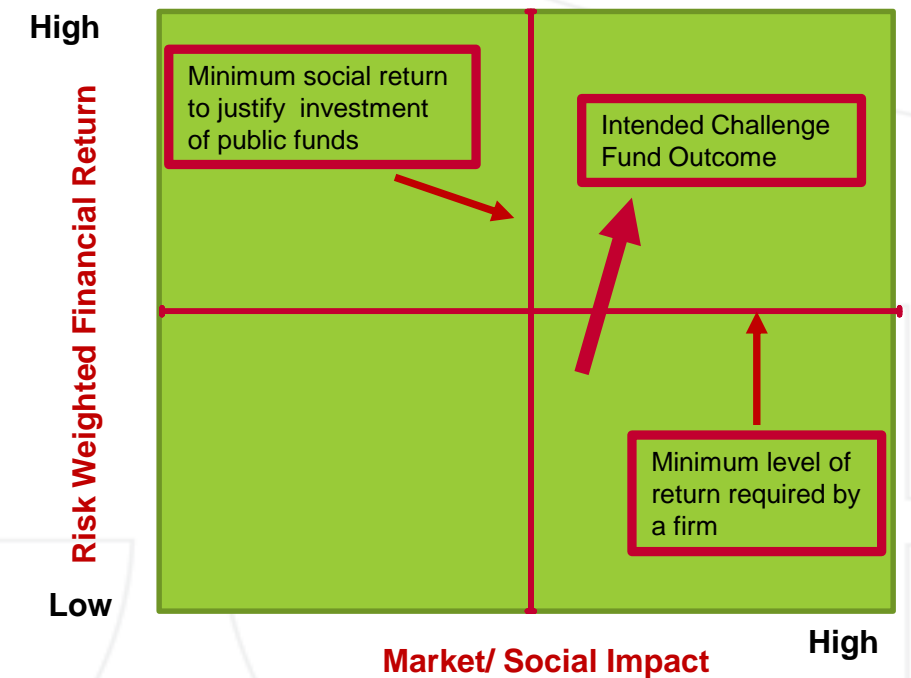


सीप Challenge Fund Process and Timeline



Challenge Fund Assessment Criteria

Alignment with market failures and solutions	Address the sector skills or migration market failures
Alignment with outcomes	In line with सीप targets
Inclusivity	Women, DAGs and PwDs included
Innovation	Potential to scale, replicate best practices, or innovation
Additionality	Demonstrate that the proposed solution would not have happened with सीप support
Scalability & Sustainability	Potential for project to be scaled up
Value for Money/ Leverage	Direct / indirect resources being leveraged



Types of Forms to Guide the Application Process

सीप Challenge
Fund EOI
Application

सीप Challenge
Fund
Investment
Application