

UKaid शीप and its Challenge Fund Approaches to Transform the Skills Development and Migration Management Agenda

Diyalo Lords Plaza,
Birgunj
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शीप Overview | Project Scope

- Project with over four years duration; total value of £17 million
- Alignment with Federal (MoLESS/PMEP) and Provincial Skilling and Migration Related Priorities
- Nationwide with focus on key transformational sectors- Agribusiness; Tourism; Hydropower Construction; ICT and Light Manufacturing;
- Priority Provinces 2 and 5
- £9.14M for Challenge Fund, of which £7M for Skills; £2.14 M for migration; Co-investment approach to respond to market failures

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

सीप Key Operating Principles

- **Collaborative:**
 - **with MoLESS** to promote skilling/migration strategies in support of 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

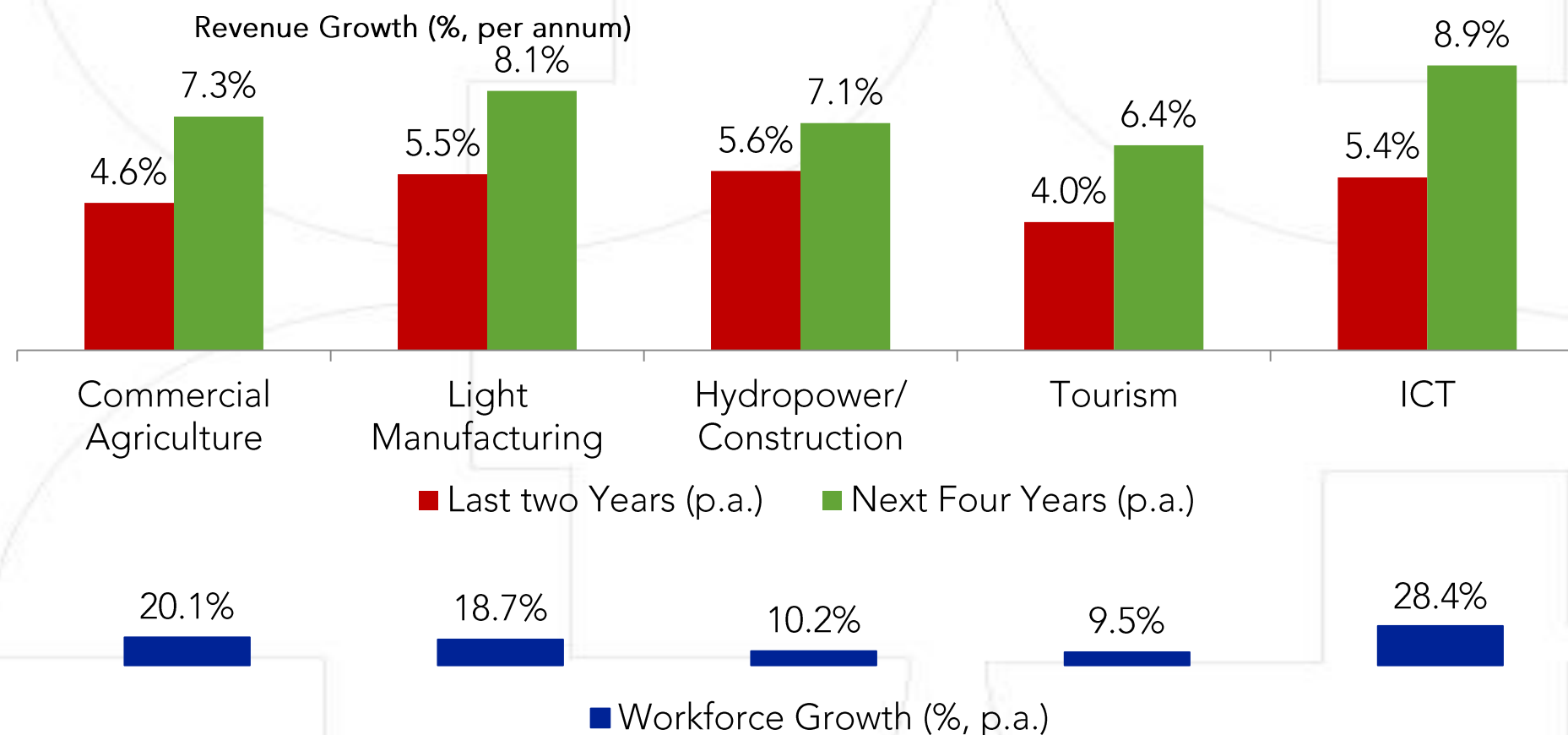
Identified Sectors for सीप Involvement are Significant to Socio-Economic Growth



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

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



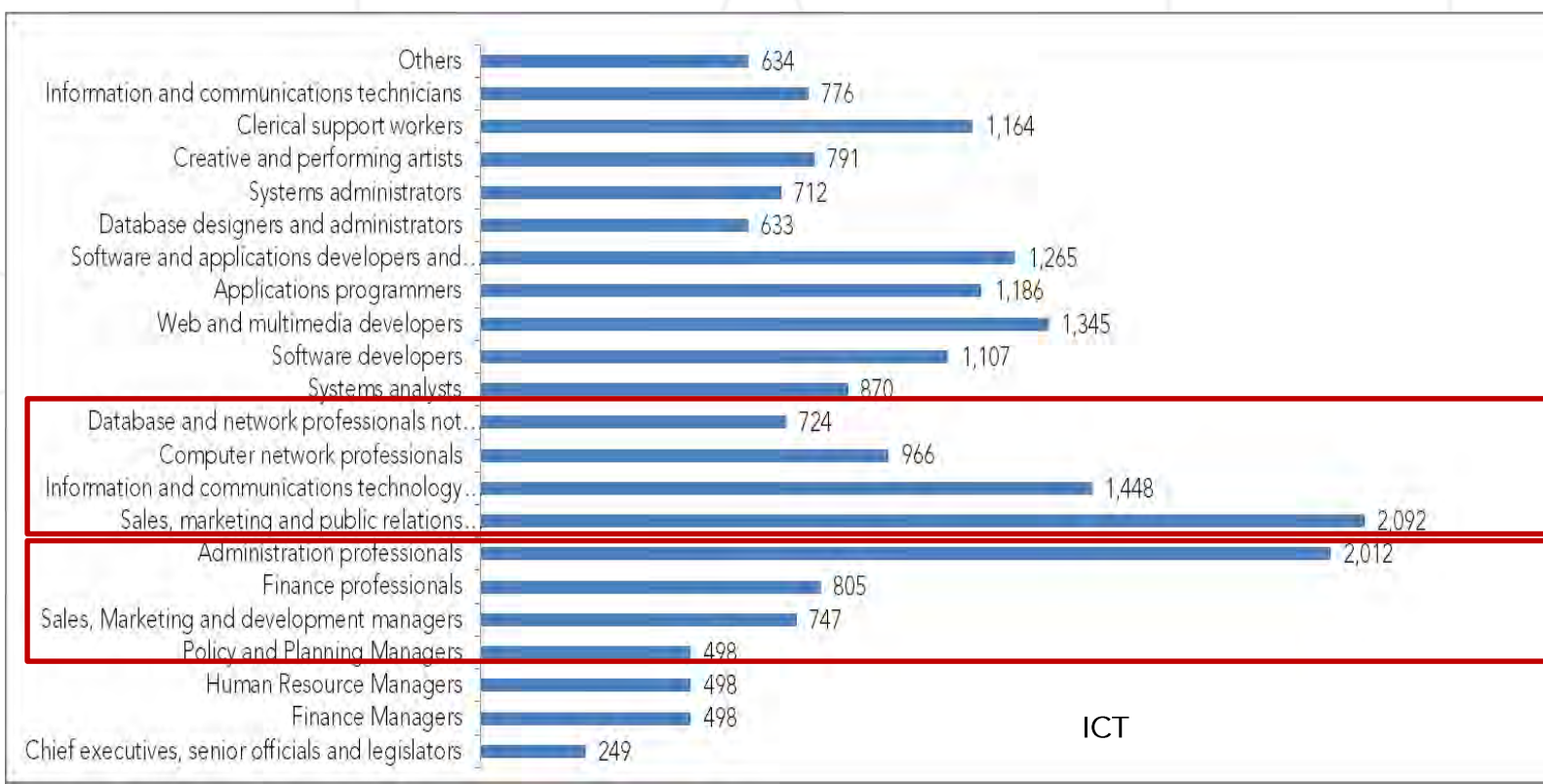
Demand for Skills in our Focus Sectors

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			
		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)
Farm Management	Extended Value Chain related Skills			

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 स सीप Firm Level Survey (2018)



Illustrative Partnership Ideas and Examples

The SEP Partnering Approach

embodies

Working with Partners on Ideas

that address

Market Failures affecting skill development

Partnership Approach: Employer Expands/Strengths Internal Training System with Access to the Public | Sector: Manufacturing

e.g. Mahindra, Agni Group, Vishal Group-Sukalpa



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Partnership Approach: Existing Training Provider Expands/Strengthens Capacity, including by Cultivating Stronger Industry Linkages | Sector: Hospitality

e.g. Hospitality Colleges, KGH Academy of Hotels



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- Expand Vishal Group Sukalpa Training Center's Karmashil Program which targets the most at-risk youth, including people with disabilities, at public schools (grades 11 and 12) with market-aligned skills training and job placements particularly in the retail sector (e.g. Big Mart).

- Introduce the Tech Mahindra Group's flagship employability programs such as Skills for Market Training (SMART) in Nepal in partnership with the Agni Group and others to establish state-of-the-art centres that offer industry-aligned curriculum, high-quality blend of classroom, practical, and on-the-job training, and job placements.

- Expand to semi-urban areas with unmet needs, including to Province 2, using a hub-and-spoke model
 - Introduce short-term (3-6 months) industry-aligned courses that lead to gainful employment more efficiently and address immediate skilling and job needs.
 - In collaboration with industries/employers, co-develop structured internships and apprenticeship programs or other forms of skill development models to better respond to the needs of both industries and youth

- Equip and upgrade facilities to include industry-relevant equipment and machinery.
 - Forge partnerships with internationally recognized certification/training institutes to enable global recognition of certification and Nepali talent.

Illustrative Partnership Ideas and Examples

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Market Failures affecting skill development

Partnership Approach: Employer or Group of Companies Invest in a New Training Provider | Sector: Agriculture

e.g. Nimbus, Shreenagar Agro Farm



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Partnership Approach: Private Service Provider Extends and Expands Training to Increase Incomes and Productivity; and/or to Foster Employment and Entrepreneurship | Sector: ICT

e.g. Amazon, Genese, Fusemachines



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- Invest in/upgrade a training institute to create a state-of-art polytec that caters to skills needs of the livestock and agriculture development sectors.
- Drive collaboration with other like-minded national and international businesses and training institutes (e.g. Venkys Institute of Poultry Management and Technologies, Cobb or Loehmanns or Suguna Institute of Poultry Management from India, and Aeres Training Center from Barneveld Netherlands) to develop appropriate curriculum and pedagogy.

- Upskilling model farmers and Junior Technical Assistants to expand quality extension services for smallholder farmers to raise productivity; improve market linkages -- via access to input, aggregation, storage, marketing, finance, and sales outlets -- and enable agri-entrepreneurship.

- Introduce and roll-out Amazon's Educate program, a tailored 'special elective' curriculum designed to stay ahead of the curve and respond to the fast-evolving needs of the ICT industry, in partnership with a local firms and network of academia/training colleges.
- Graduates with certification from Amazon's Educate are registered on an online jobs portal that gives them access to a global job market with over 5,000 employers.

- Expand Fusemachines' Global Artificial Intelligence (AI) Scholarship fuse.ai program in Nepal to develop a pool of trained AI and machine learning experts.
- Trained experts will be recruited by Fusemachines and linked to national and global AI jobs via an online jobs portal.
- Introduce Fusemachines accreditation to Nepali training institutes interested in adopting their curriculum and pedagogy

Illustrative Partnership Ideas and Examples

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Market Failures affecting skill development

Partnership Approach: Provide aspiring migrants with migration loan-link remittances with productive investment-leverage on PMEP and Province concessional loans to support returnees reintegration

e.g. Prabhu Group and Nepal SBI bank



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Partnership Approach: Work with Recruitment Agencies deploying fair recruitment practices to lower the overall cost of migration

e.g. FSI, Ethical Practitioner Association Nepal (EPAD), Poseidon



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-provide migrants with affordable loans to fund their migration costs avoiding the mortgaging of their assets.
Prevent the return to poverty due to death or loss of revenue due to job related accident by providing life and accident /disability insurance scheme.

-Provide migrant households members with financial literacy on how to manage the remittances flow- encourage the use of formal remitting channels-link remittances to loan repayments and saving schemes- promote the NEFT Indo-Nepal corridor (cost INR 20 to 90)-provide capital for returnee start-ups

Encourage RAs to recruit directly from the Province 2-partner with RAs implementing fair recruitment methods and clear the administrative burden they may encounter when interacting with public administration (delay in the release of work permits, dysfunctionalities of all kinds)

Province 2's Proposed 7-points Skilling and Employment Discussion Points

Point 3 Social security plan

Province

PPP

X% of their profit (CSR context) and PPP

Insurance sector

Remitting Houses
RAs, Pre-departure orientation,
Medical institution, through a CSR
approach

Free
Life insurance Programme
Accident and disability

Migrants

Life and accidental insurance can
be used as guarantees within a
loan to migration risk mitigation
strategy

Point 4 Encourage migrants' return

- Beneficiaries: migrants/returnees
- Company registration within 3 hours
- Fiscal grace period: 20 years
- Public and government land made available through lease
- Loans at concessional rate without collateral

candidate

Entrepreneurship training

Entrepreneurship / trade facilitation partners

Capacity
building

Entrepreneurship
development

Resource
management

Access to
markets
for products

Business
set-up
support

Social and economic reintegration as entrepreneurs

Point 5 Predeparture and Reintegration

- Demand-driven skilling and training to aspiring migrants
- Provide orientation/advise to aspiring migrants
- Use of remittances for productive investment
- Support economic reintegration

SEEP through partners

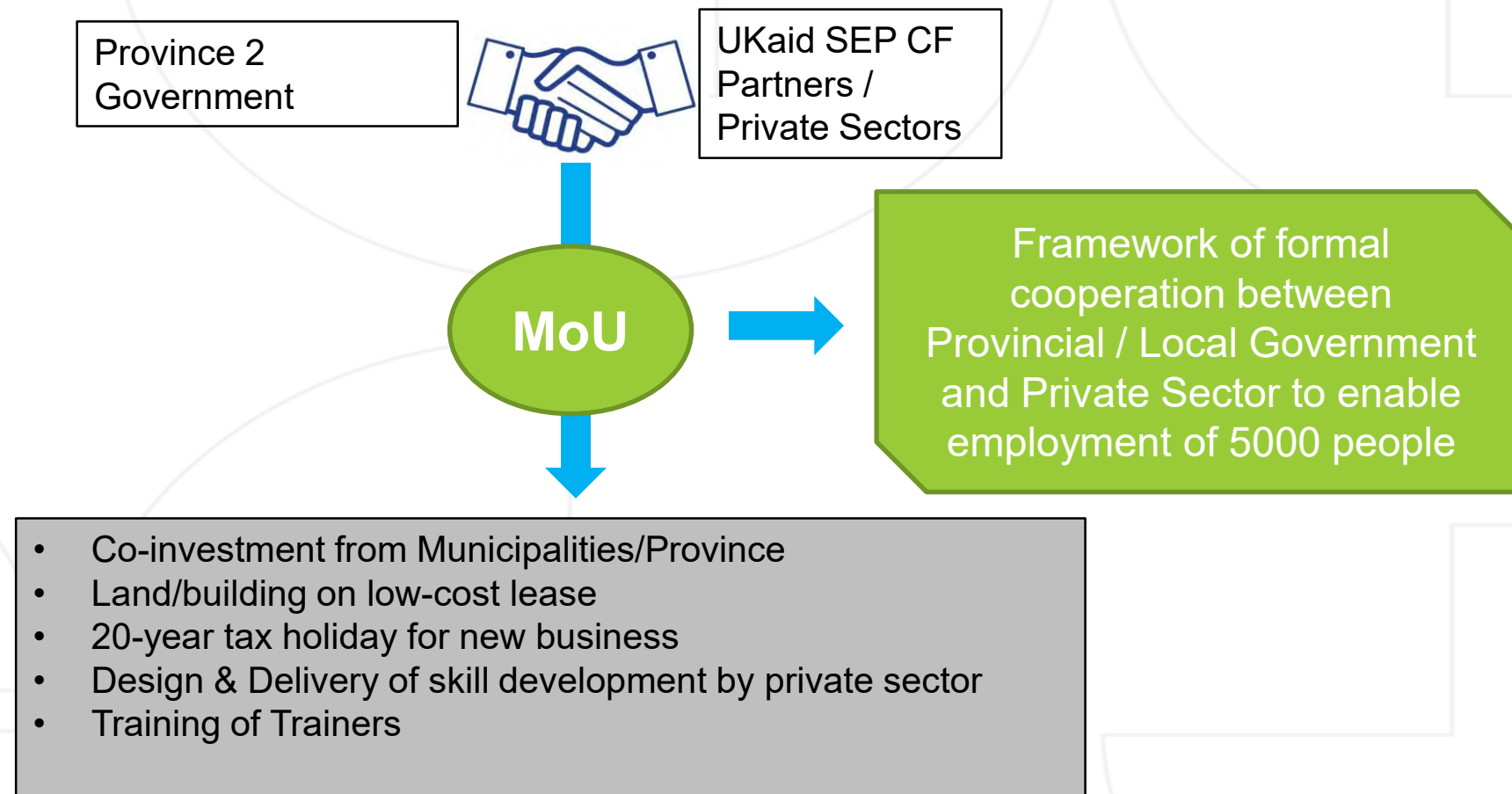
Provide Costs and Benefits analysis.-
Advise on vocational training strategy-
provides migration cost estimate
proposes **financial literacy** and access to migration loans.

Provide: demand –driven skill and training to migrants and
Targeted financial literacy for both migrants and Households.
The migrant has access to better paid job categories.
His household manages more efficiently the flow of remittances.
Increase of migrant revenue and saving/investment.
Reduce the cost of remittances.

With BFIs returnees and households will have access to
savings and financial products tailored to their needs that
may be directed to the creation of SME.

Returnee economic reintegration.

Government Engagement for Public Private Partnerships



History of Challenge Funds

Disbursed over GBP 101K between 1714 - 1828

Grants and rewards for solutions of navigational problems

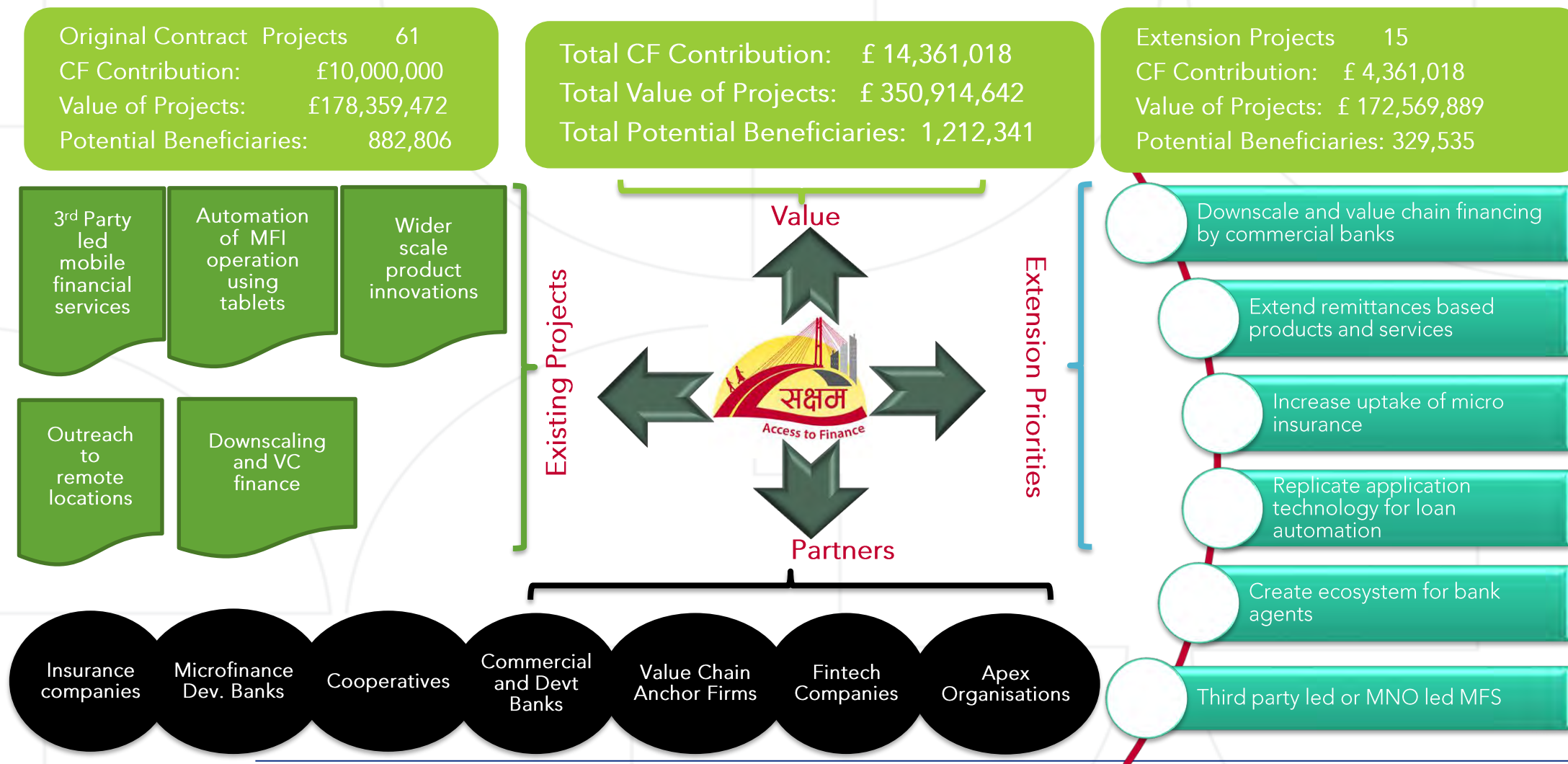
Challenge Funds are innovative way to engage with private sector

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



Challenge Fund Characteristics

How do Challenge Funds work

1. Pose a Challenge
2. Look for Pro-Poor Innovation + Commercial Viability = Social Impact
3. Provide Risk Capital

Challenge Fund Partners

- Good corporate governance & transparent financial management
- Community engagement
- Demonstrates commercially viable, pro-poor innovation to enter low-income markets

Management & Governance

1. Programme Steering Committee
2. Independent Assessors
3. Management & Administration Team

Limitations

- Capacity of Existing businesses
- Need for technical assistance

सीप Challenge Fund

1. Accelerator to help applicants
2. Piloting before Scale-up

सीप 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 organisations, civil society and community based organizations)

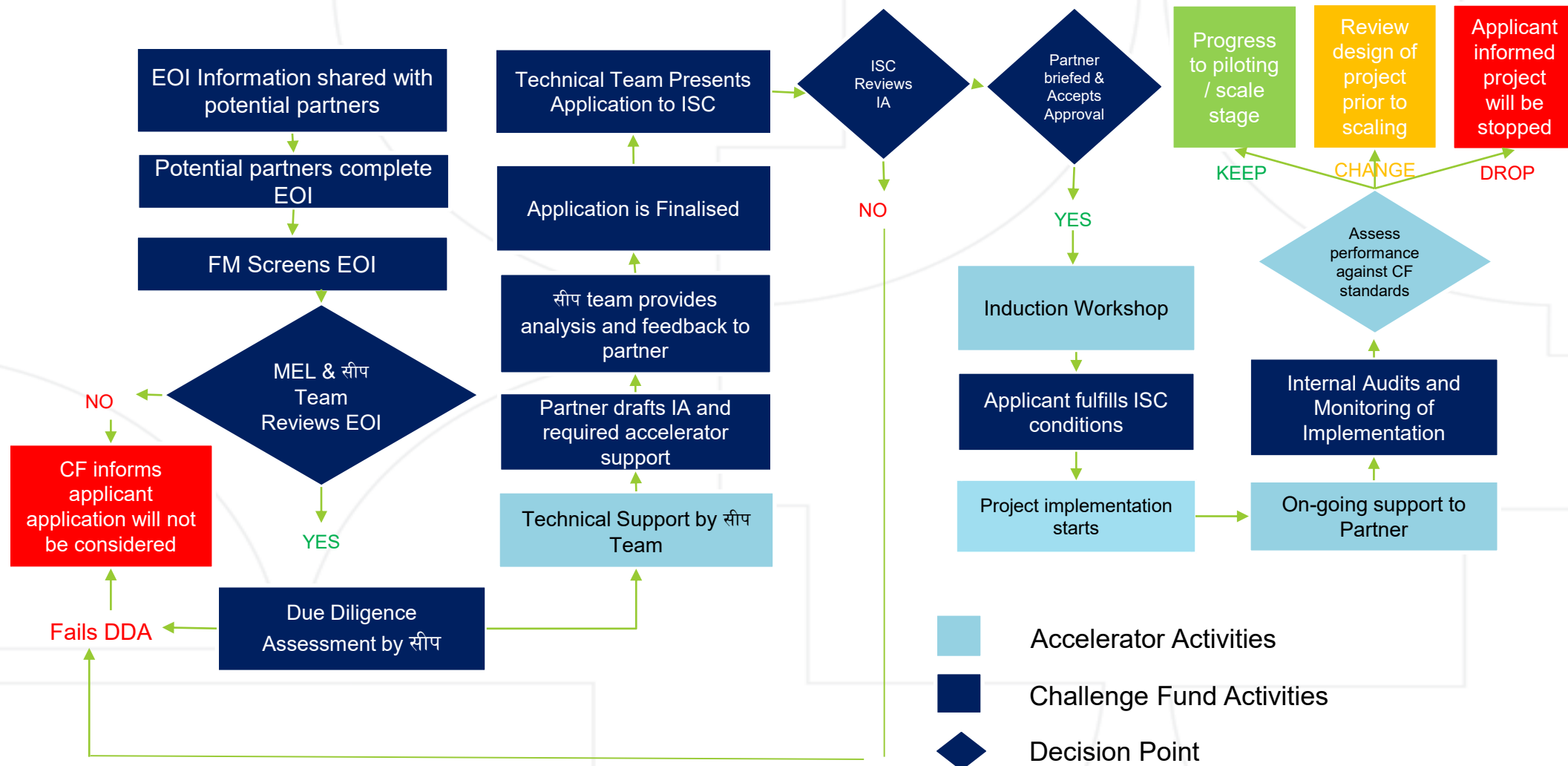
Window 4: Open to encourage non-prescriptive skills development proposals (addressing the known unknowns; aimed at fostering innovation)

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

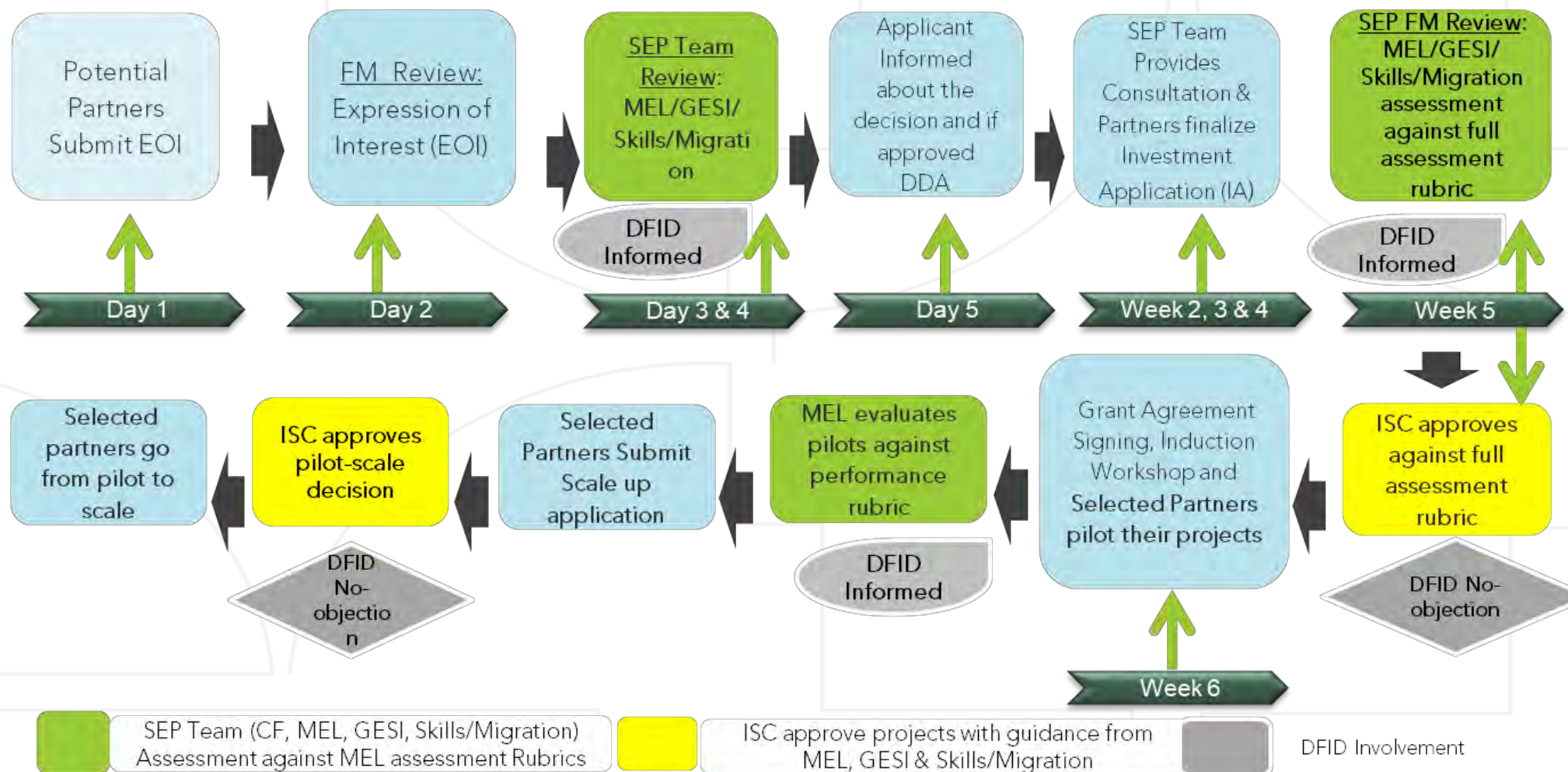
Window 6: Savings and Investment (BFIs design savings, loan and investment products for migrants, their families and returnee migrants)

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

सीप Engagement Process through CF



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	Extent 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

Province 2's Proposed 7-points Skilling and Employment Discussion Points

1. The Province government shall make provision of skills training for employment and for ensuring minimum amount of work. In order to implement these objectives, it shall implement the concept of one training center at each local level.
2. The Chief Minister's youth self-employment plan shall be implemented from this year to establish small and medium scale industries to make youths self-employed and to achieve the objective of poverty alleviation. Under this plan, youths shall be provided with free technical training. And to start their own businesses, they shall also be offered a subsidy of 25 percent and concessional loan amounting to 50 percent of the cost of the business respectively through the banks. The youths starting their businesses shall have to invest 25 percent of the cost of business themselves.
3. Chief Minister's foreign employment social security plan shall be implemented from this year. Under this scheme, youths migrating for foreign employment, especially to the gulf countries, shall be offered a free and compulsory life insurance program through the province government. The province government shall coordinate with the private insurance companies for its implementation. The source of funds for the implementation of this plan shall be a certain percentage of the profits that the private companies have generated through funds sent by the migrant labourers.

Province 2's Proposed 7-points Skilling and Employment Discussion Points

4. In order to encourage youths in foreign employment to return home, to use the skills learned and to invest their earning, an attractive package has been designed. Under the package - company registration shall be completed within three hours, the companies shall be waived off the taxes for 20 years. Public and government lands shall be provided on lease basis and loans, in collaboration with the banks, shall be provided at a concessional rate without collateral.
5. The government shall bring policies to provide skills-based training to people going for foreign employment; to provide orientation to people planning to go abroad for jobs; and in the use of remittance and economic integration for those economic migrants who have returned from foreign countries.
6. To promote employment, there shall be collaboration between the province government and the private sector in agriculture, industry, transportation, trade, tourism and service-oriented industries to set up a province youth capacity development training center. Trained personnel shall be produced from that training center and they shall be provided to the relevant industries for employment opportunities.
7. A minimum of five thousand youths shall be provided employment under the province youth capacity development plan.

FOR ADDITIONAL INFORMATION ON सीप ACTIVITIES



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