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Nepal: A Review of Jobs Portfolio

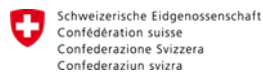
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Nepal: A Review of Jobs Portfolio

2018

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Nepal Jobs Portfolio Review

Executive Summary

This report is the first major deliverable of the “Jobs Platform” programmatic ASA activity, which was established to support the delivery of better jobs outcomes in Nepal, with specific focus on low income workers and excluded groups, for both formal as well as informal sector employment. The objective is also to improve coordination and delivery of Bank activities in Nepal, maximizing the impact on the creation, quality, and inclusiveness of jobs. An important component of this platform is the mapping of the World Bank (WB) and other development partners’ portfolios against a framework for monitoring jobs impacts developed by the Jobs Group, the *Jobs Conceptual Framework* (JCF).

The JCF links macro-, meso-, and micro-level jobs interventions with their potential to affect jobs-related outcomes. These jobs outcomes focus on three dimensions: creating job opportunities in the formal sector (More Jobs), enhancing quality and productivity in the informal sector (Better Jobs), and promoting access to jobs for vulnerable populations (Inclusive Jobs), including women, youth, the bottom 40 percent, and lagging regions. In addition, intermediate outcomes are considered from a jobs viewpoint, as these are often pre-conditions for achieving higher level results related to more, better, and inclusive jobs. Intermediate outcomes also tend to be the most often cited by project teams as achievable and realistic within the timeline of a WB lending operation.

The report presents an analysis of the jobs portfolio for Nepal covering WB operations as well as Development Partners’ (DP) activities, with the objective being to understand the approach towards job-specific targets and identify gaps to influence future investments. This portfolio review looks at individual project interventions and the balance of the portfolio as a whole, to see how they align with national priorities and incorporate jobs-relevant outcomes. The analysis looks at the type of interventions (macro and regulatory, sectoral and labor policies) and their specific jobs outcomes including creation, quality and inclusion.

This review covers WB investments (lending and ASAs) and operations (lending) of key development partners active during FY 2018 in Nepal. Priority sectors and interventions are identified through the review of Systematic Country Diagnostics (SCD) and Country Partnership Framework (CPF, FY 19-23), which act as baseline and comparators against which project interventions are evaluated. In this first version of the portfolio review, IFC and MIGA funded projects are not yet included, pending the adaptation of the JCF framework to non-sovereign guarantee lending.

World Bank Operational Portfolio

The World Bank Nepal’s jobs-relevant lending portfolio covers 23 active and pipeline operations with a total commitment of USD 2.33 billion.

- In terms of interventions, WB lending portfolio is dominated by sectoral investments which largely constitutes of infrastructure interventions in transport and energy. Interventions addressing labor policies are absorbed by livelihoods projects. There are major gaps in jobs-focused macro and regulatory interventions and those influencing labor regulations.

- In terms of outcomes, there is even distribution across intermediate outcomes, jobs creation, quality and inclusion. However, there are gaps within each type of outcome – interventions lack significant efforts to expand domestic private sector jobs by creation of new enterprises and self-employment; jobs quality outcomes are focused on earnings and less so on working conditions and productivity enhancements; jobs access is limited to inclusion of vulnerable communities with inadequate efforts to influence labor force participation.
- The review presents a significant gap, specifically in sectoral investments in infrastructure and agriculture, to include direct, indirect and induced jobs impacts.

Development Partners’ Investment Portfolio¹

The DP investment portfolio covers 79 ongoing projects assessed as jobs-relevant with total investment of USD 2.75 billion. ADB, DFID, and USAID appear as the key DPs in terms of number of jobs-relevant projects as well as value of investments.

- In contrast to the WB portfolio, the DP portfolio has a large share of labor policy interventions (59% of the total DP portfolio by count), which mostly constitutes of interventions in public works, livelihoods and skills trainings, followed by sectoral and regional policies and macro and regulatory policies.
- With respect to intended outcomes, the emphasis is on jobs access (87% of the portfolio), quality (79%), and intermediate outcomes (72%), as compared to jobs creation (56%).
- DP portfolio targets better and inclusive jobs outcomes which are largely driven by concentration of supply side interventions, specifically on skills and productivity for youth, women and potential migrants.
- As seen with the WB portfolio, there is a significant gap in interventions addressing domestic labor regulations and working conditions and benefits. These issues are limited to foreign employment and migration relevant interventions in the portfolio.

World Bank ASA

The World Bank ASA portfolio includes 7 active and 13 closed operations. The total cumulative spending on these activities is USD 4.87 million.

- In contrast to the lending portfolio, the ASAs present a good concentration on macro and regulatory policies, specifically interventions to enhance trade and investment environment for the private sector (50% of the ASA portfolio value).

¹ “Development Partners” refers to international aid agencies and donors other than the World Bank that are active in Nepal. These include Asian Development Bank (ADB), Australian Aid, Danish International Development Agency (DANIDA), Department for International Development (DFID), European Union (EU), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), International Centre for Integrated Mountain Development (ICIMOD), International Fund for Agricultural Development (IFAD), International Labor Organization (ILO), International organization for Migration (IOM), Korean International Cooperation Agency (KOICA), Norwegian Embassy, Swiss Development Corporation (SDC), United Nations Development Program (UNDP), United States Agency for International Development (USAID), and World Food Program (WFP).

- Main gaps in the ASA portfolio are in taxation and fiscal policies and ICT. These are the same areas that lack attention in the lending portfolio.
- In terms of intended outcomes, the emphasis is mostly on intermediate outcomes targeting access to markets and firm investment and performance, followed by quality (earnings and productivity) and access (inclusion of vulnerable groups).

Gap Assessment

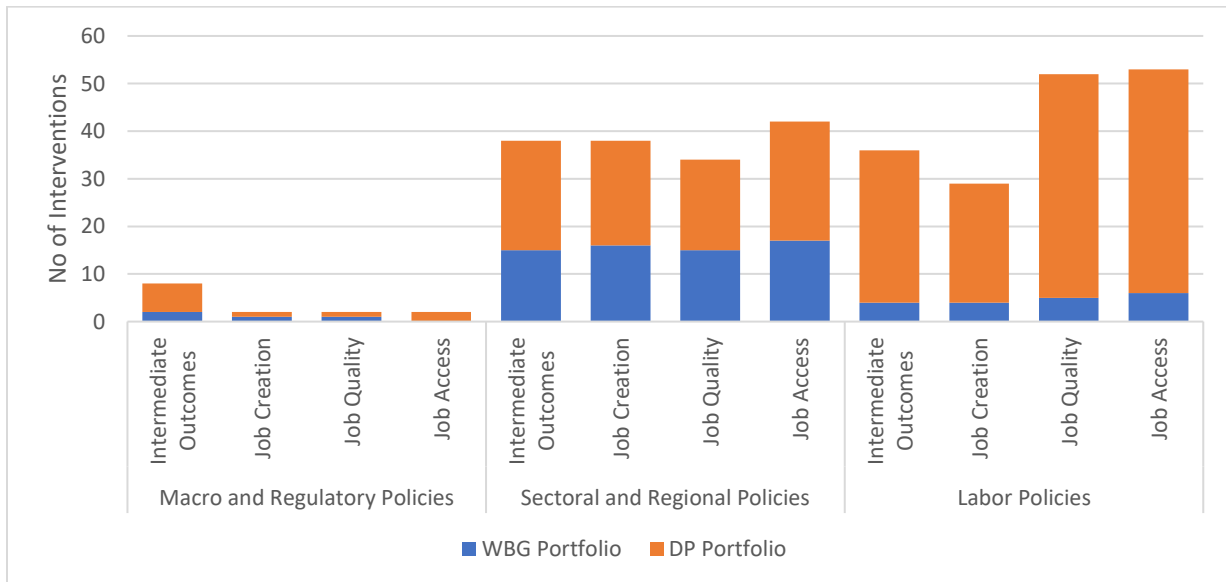
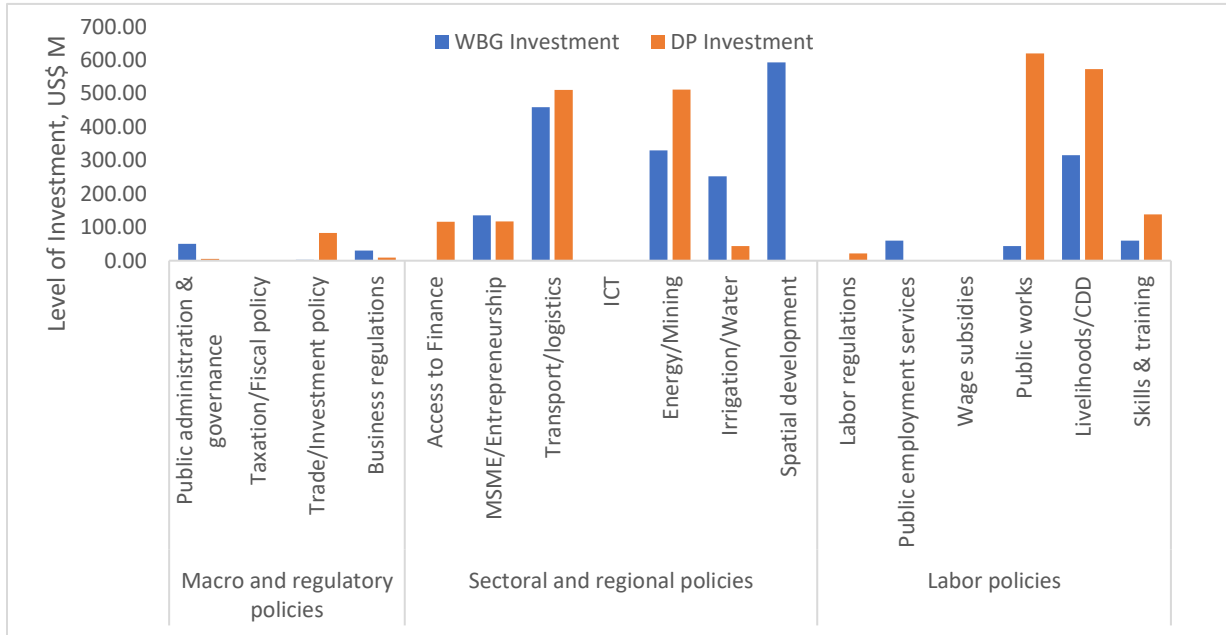
Portfolio analysis reveals clear gaps in both demand and supply side interventions. On the demand side, while there is some emphasis on opportunities for low- and semi-skilled labor through public works supports in infrastructure projects, the emphasis is less or none on enhancing higher *skills and productive domestic private sector employment*, including efforts to address the challenges of informal sector. Few projects look at enhancing opportunities for on-the-job trainings and apprenticeships for educated youth. There are gaps in addressing jobs creation through new enterprises and self-employment; self-employment too is very much limited to subsistence level through livelihoods and CDD (Community-driven development) projects.

The review indicates clear gaps in jobs quality targets through improvements in *domestic working conditions and benefits and workers productivity*. Interventions that do address working conditions and productivity are largely foreign employment and migration related rather than domestic employment. Migration receives a fair share of concentration in the DP portfolio, with significant attention from ILO, SDC, IOM, DFID and ADB. However, considering recent developments, donor interventions may need to pay more attention to productive reintegration of *returnee migrants*. Further, inclusion targets are limited to improving access to opportunities for vulnerable groups (including women, DAGs, and youth), and do not necessarily address the challenge of encouraging *labor force participation (LFP)*, especially for women. Although female LFP in Nepal is relatively high compared with other countries in South Asia, there is a strong likelihood that it will decline as incomes and education levels rise, if better job opportunities are not generated. This is already apparent in the negative impact on female LFP of households with migrants working abroad.

In terms of strategic balance, *macro and regulatory policies* are given less emphasis than *regional and sectoral investments* in infrastructure and the productive sectors, and *labor supply interventions* such as livelihoods and skills specific interventions. Some of the main regulatory challenges are to be found in foreign investment laws and regulations, ICT policies; taxation and fiscal policies; and labor market regulations.

In the *economic analysis of jobs-relevant programs*, the analysis of the jobs impacts to gauge the full range of economic impacts - direct, indirect and induced is often missing or insufficient. This is especially true of infrastructure projects (transport, energy, water), which often have a high potential impact in terms of *induced jobs* (those that arise from economic activities made possible by the infrastructure). It is also true of programs to support rural development which tend to focus on the commercial viability of agribusiness entities but don't analyze their *indirect jobs* impact through earnings gains of their smallholder suppliers. Similarly, in monitoring arrangements there is a lack of *jobs-linked indicators*.

A review of *project performance and risk ratings* found that most projects are delayed owing to political changes following the federal restructuring of the country. Most infrastructure projects (transport and energy) were rated as possessing high or substantial risk due to the incidence of natural disasters (earthquake, floods, and landslides).



Recommendations

The report highlights six key recommendations, as follows:

Focus more on the jobs effects of macroeconomic and regulatory policies that support private sector development. The CPF highlights the need for regulatory reform to remove legal barriers and improve the institutional framework for private sector growth. The upcoming *Maximizing Finance for Development (MFD) DPO* is an important step forward in this agenda, supporting an ambitious set of policy reforms in key areas of regulatory reform that will plausibly enhance private investment and jobs growth in Nepal. However, private investments can have varied jobs impacts – ranging from labor substitution by capital at one extreme; to major positive impacts on job creation and productivity growth at the other. And the (positive or negative) jobs impacts may affect different groups in different ways, so inclusiveness for poor and disadvantaged communities is also a key consideration. Given the priority given to jobs in the GoN agenda, there should be an explicit focus on analyzing the projects jobs impacts of private sector development programs in Nepal.

Focus more on wage jobs growth. This relates both to ASA work and to DPO lending and Investment Project Lending. The portfolio review identified few interventions focused on promoting private sector wage jobs growth. The Jobs Group’s recent “*Pathways to Better Jobs*” report suggests that shifts into (formal and informal) wage jobs is central to economic transformation as countries move from LIC to LMIC status. The policy environment in Nepal is a significant constraint to formal jobs growth and (perhaps as a result) many investment projects supported both by the Bank and Development Partners have focused on supporting informal, own account jobs through “livelihood” style interventions. Recent reforms in the Nepal labor code, which make politically motivated strike activity illegal and simplify procedures for the lay-off of redundant workers in the private sector, will tend to improve the regulatory environment for formal jobs growth. However, in contrast, the recent decision of the GoN to introduce an ambitious social security reform which creates payroll taxes totaling 30% of nominal wages is likely to increase incentives to informality in Nepal. This reform runs in the opposite direction to the policy recommendations of the WDR 2019, which suggests using general taxation and savings instruments that are de-linked from labor contracts to finance the establishment of universal social protection systems. There is an urgent need to promote policy dialogue with the government and with development partners such as the ILO, to explore ways to ameliorate the effect of the social security reform on jobs outcomes. The proposed work program for the second year of the Nepal Jobs Platform includes a study on this issue; and the Jobs Platform team is exploring with the MFD DPO team the possibility of including a line of action related to labor market reforms in future operations.

Focus more on enhancing the jobs growth potential of existing firms. Nepal’s MSME interventions focus a lot on start-ups. But Jobs Diagnostics have found that there is a large amount of “churn” in start-ups, while existing firms (especially SMEs) are often a major focus of job creation. Policy and IPL operations are both relevant to releasing SMEs’ jobs growth constraints. The upcoming *Accelerating Inclusive Jobs Growth for Youth* project will help to correct this imbalance, since it includes a large component that focusses on supporting SME growth for labor-intensive firms, through a combination of grants and technical assistance.

Focus more on improving the quality of “own account” informal sector jobs through better market linkages and capitalization. Small, independent producers of the type which predominate in the Nepal labor market will normally find it difficult to access capital markets and improve productivity and earnings, unless they insert themselves into the product market on favorable terms. So, value-chain / productive alliance interventions designed to improve quality of jobs in informal sector agriculture by linking them to larger productive and market systems (including downstream processing and packaging) should be a high priority.

Focus more on the reintegration of migrant returnees. The WB portfolio has no projects specifically targeting either migrants or migrant returnees. Donor activities in this area are focused on interventions targeting outward migrants. Few projects target re-integration of return migrants into the domestic economy. However, the available analysis suggests that Nepal might have reached “peak migration” and that migrant flows are shifting gear, with the projected annual inflow of returnees exceeding the outflow of new migrants. This calls for a shift in policy focus, to explore ways to optimize the reinsertion of migrants, taking advantage of their skills and savings of successful migrants to catalyze the creation of better jobs in the domestic economy.

Systematize the metrics in jobs-relevant operations, including direct, indirect and induced jobs. The recently finalized *Jobs M&E Toolkit* and note on the *Economic Analysis of Jobs Investment Projects* will serve as useful points of departure for this process. At present, most jobs-relevant projects in the Nepal portfolio have weak metrics on jobs impacts, often not going beyond vague indications of the number of beneficiaries. Task teams working on the preparation of jobs-relevant projects should be encouraged to make a more careful estimation of the likely jobs impacts, based on the number of jobs and the estimated income growth that they create (“*jobs-linked externalities*”). This will allow the CMU to make well-grounded judgements about the relative merits of different jobs-relevant interventions when deciding how to prioritize the lending portfolio. Many of the jobs-relevant projects supported by the Bank will have their main impact through the *indirect jobs* they create (e.g. upstream jobs for primary producers in agricultural in value chains); or through the *induced jobs* that are made possible by infrastructure projects. Since infrastructure projects are such a large part of the portfolio, systematic analysis of the likely induced jobs effects (those caused through the economic activities made possible due to improved roads and power and water systems) is particularly important for Nepal. Incorporating estimations of those effects – and the corresponding rates of return, given the level of the proposed investment - is crucial to consistency in project selection choices in the portfolio planning process.

I. Introduction

A. Objective of the Study

Job creation and improving access to employment opportunities is a priority for the Government of Nepal (GoN). The country projects that over 400,000 youth will enter the labor market annually. The labor market in Nepal is plagued by low skills levels, high engagement in informal jobs, and high underemployment rates (30% of the total population).² The issue is further intensified by high levels of outward migration among youth motivated by lack of opportunities at home. “*Creation of jobs*” has been cited as the sole goal for labor and employment in the current 14th Development Plan (FY 2015-2018). “*Creation of more and better jobs*” has also been identified as a priority in both the World Bank Group’s (WBG) recently launched Systematic Country Diagnostic (SCD, February 2018), and the upcoming Country Partnership Framework (CPF, FY2019-2023).

The GoN is addressing the youth jobs agenda through several activities: (a) The Ministry of Finance has created a Youth Self Employment Fund that offers loans to SMEs; (b) The Ministry of Industry has initiated a Startup Ecosystem Development Committee to promote entrepreneurship; (c) the Ministry of Agriculture has launched an Innovation and Agro-entrepreneurship program, based on agribusiness incubators, matching grants and tax incentives; (d) The Ministry of Education has expanded its demand-linked Technical and Vocational Education and Training (TVET) programs; (e) The Ministry of Labor and Employment has developed programs to manage migration (though the Department of Foreign Employment); and has established employment offices to improve youth labor market insertion in the domestic economy; (f) The Ministry of Youth and Sport is establishing a network of Youth Councils which highlight the importance of jobs and enterprise development; and (g) the Ministry of Cooperatives and Poverty Alleviation has supported subsistence entrepreneurs in highly disadvantaged communities.

However, these initiatives are fragmented, and may not be effective. On supply side there is no systematic approach to support young men and women make choices about where to work and what skills to attain. On demand side there are no interventions that clearly address market failures related to social externalities.³ Some of these gaps will be addressed through an IDA US\$150 operation titled “Accelerating Inclusive Jobs Growth for Youth in Nepal” that aims to create quality jobs and enhance labor market outcomes for youth; and by the new “Maximizing Finance for Development” DPO, which addresses important constraints to private sector jobs growth..

This report is the first major deliverable of the “Jobs Platform” ASA activity which was established by the WBG to support the delivery of better jobs outcomes in Nepal, with specific focus on low income workers and excluded groups, for both formal as well as informal sector employment. The objective is also to improve coordination and delivery of Bank activities in Nepal maximizing impact on creation, quality, and

² 14th Periodic Plan (FY 2073/74-2075-76), National Planning Commission, Government of Nepal.

³ Robalino, David and Ian Walker (2017). Economic Analysis of Jobs Investment Projects. Jobs Group, The World Bank

inclusiveness of jobs. An important component of this platform is the mapping of the WBG, and other development partners' portfolio against a framework for monitoring jobs impacts.⁴

The report presents results of the jobs portfolio⁵ review in Nepal, which aims to identify areas of focus and gaps and to inform the prioritization of future lending, investment, and analytics. The analysis looks at the potential to deliver jobs results at the project level in the context of Nepal's priorities and challenges, based on the agreed country strategies and plans. It analyzes the nature of interventions that have been financed and the extent to which these interventions are targeted toward addressing specific types of jobs challenges, such as the creation of jobs in the formal private sector, improvement in the quality of informal jobs, and the expansion of access to jobs for vulnerable population groups, such as women, youth, and other disadvantaged groups.⁶ Definitions of job intervention types and job outcomes used for the analysis are provided in Annex 1.

B. Methodology

This portfolio review draws on a tool developed by the WBG's Jobs Group: The *Jobs Conceptual Framework* (JCF). The JCF is an analytical tool that links macro-, meso-, and micro-level jobs interventions with their potential to affect jobs-related outcomes. These jobs outcomes focus on three dimensions: creating job opportunities in the formal sector (More Jobs), enhancing quality and productivity in the informal sector (Better Jobs), and promoting access to jobs for vulnerable populations (Inclusive Jobs), including women, youth, the bottom 40 percent, and lagging regions.⁷ In addition, intermediate outcomes are considered from a jobs viewpoint, as these are often pre-conditions for achieving higher level results related to more, better, and inclusive jobs. Intermediate outcomes also tend to be the most often cited by WBG project teams as achievable and realistic within the timeline of a WBG lending operation or IFC investment.⁸ The JCF is presented in Figure 1.

This analysis covers an assessment of jobs-relevant activities as follows:

- *World Bank investment operations*: Investment projects that are active or in the pipeline as of FY 2018.
- *Development partner projects*: projects identified in select development partners that are active as of FY 2018.
- *World Bank Advisory Services and Analytics (ASA)*: ASAs active or in the pipeline as of FY 2018.

4 Farole, Tom (2018). How are we addressing Bangladesh's Jobs Challenges? Portfolio Review, Bangladesh Jobs Platform (forthcoming)

5 The term "Jobs Portfolio" refers to operations that have an explicit and substantive link to the jobs agenda. These are identified by the central coding team of OPCS at concept and board appraisal stage. The coding is verified and approved by the respective TTLs.

6 Ibid

7 Regions with economic outcomes significantly trailing the national average, and often with weak structural features, such as limited natural, human, and productive capital endowments and/or limited connectivity.

8 Ibid

Figure 1: Jobs Conceptual Framework

Response to country jobs challenges	Outcomes→	Intermediate Outcomes			Job Creation			Job Quality			Job Access		
	Interventions ↓	Access to / working of product markets	Firm performance/ investment	Human Capital	Job creation (by employers)	Job creation (by new enterprises)	Job creation (by entrepreneurs / self-employed)	Worker productivity	Working conditions and benefits	Earnings/ livelihoods	Labor force participation	Working of labor market	Access and Opportunity for Jobs
Macro and regulatory policies	Public administration and governance												
	Taxation / Fiscal Policy												
	Trade & Investment Policy												
	Business regulations												
Sectoral and Regional policies	Access to Finance												
	MSME/ Entrepreneurship												
	Transport/ Logistics												
	ICT												
	Energy/ Mining												
	Irrigation/water												
	Spatial development												
Labor policies	Labor Regulations												
	Public employment services												
	Wage subsidies												
	Public works												
	Livelihoods /CDD												
	Skills and training												

The framework allows for project components to be classified into relevant interventions (vertical axis) and outcomes (horizontal axis). Values are aggregated across outcomes to draw conclusions. Project components can be classified into multiple interventions and outcomes to accurately capture its impact.

For World Bank investment operations, ‘jobs-relevant’ projects include projects assessed as having an explicit and substantive link to the promotion of job creation, job quality, and job access for women, youth, and the bottom 40 percent. Activities in the portfolio are identified as jobs-relevant based on the design, description, and results frameworks articulated by WBG teams in project documents.⁹ For development partners, the analysis covers interventions for which project information was publicly available, and additional information provided on request. Finally, in the case of World Bank ASA, the team reviewed the full portfolio and made its own assessment of ‘jobs-relevance’ following the same guidelines as applied to investment projects.

C. Review of the Systematic Country Diagnostic (SCD) and Country Partnership Framework (CPF)

Both the SCD and the CPF highlight access to and availability of formal jobs as one of the focus areas for Nepal’s growth. Job creation was mentioned as the biggest priority by younger, less employed, and less educated respondents in country consultations for SCD. The SCD identifies six areas for action¹⁰ for Nepal to generate higher growth, of which “creating more and better jobs through private sector investments and human capital development” has been given second highest priority; the first being strengthening and improving public institutions. Even the prioritization and ranking of the six areas were undertaken taking into account “impact on creating more or better jobs” as one of the three main criteria.¹¹ While all six areas are interrelated and will have some direct or indirect impact on jobs, it is seen that four of these areas – creating more and better jobs; acquiring and using human capital; natural resource development and migrant support link directly to labor and jobs outcomes.¹²

Based on the SCD, the CPF too identifies three focus areas for growth – 1. Strengthening public institutions, 2. Jobs and growth (private sector led) and 3. Inclusion and resilience. The CPF aims to support and contribute to more and better jobs by building ongoing support in key sectors for productive growth. Infrastructure (energy and transport); regulatory reforms, financial sector development, and generation of income opportunities (through natural resource development e.g. agriculture, forestry, tourism etc.) have been identified as key sectors for intervention to achieve improvements in private sector engagement and optimal labor utilization. In addition, the CPF also looks at addressing the challenges of youth with limited employable skills by providing quality education and vocational skills training for jobs. Under Focus Area 1, the CPF recognizes local urban development as key to support jobs and growth agenda. The ongoing transition and federal restructuring of the country provides scope for expansion of employment opportunities and the productive sectors, through development of new urban and rural

9 Ibid. The review does not question or evaluate the rationale for articulating jobs results as intended by teams, which would require a much more in-depth, sector-level analysis of context, conditions, and feasibility at the time of project design.

10 SCD areas for action include: 1. Improving public institutions, 2. Increasing private sector investment for job creation, 3. Acquiring and using human capital, 4. Natural resource development, 5. Resilience to natural disasters and health shocks, and 6. Getting more from migration.

11 Three criteria: Impact on creating more or better jobs, addressing underlying drivers of fragility, and building resiliency.

12 Four focus areas include: 1. Increasing private sector investment for job creation, 2. Acquiring and using human capital, 3. Natural resource development, and 4. Getting more from migration.

pockets across the 753 newly formed Local Government Units (LGUs). With higher human resource needs at each LGU, there may also be opportunities for employment and youth engagement in the public sector.

Both the SCD and the CPF are aligned with the government's 14th Development Plan, which prioritizes employment creation for the economy. The plan targets to create 400,000 jobs per year through investments in agricultural value chains, promoting tourism, and improving access to finance for Small and Medium Enterprises (SMEs). Post-earthquake reconstruction is also identified as a potential sector with high labor utilization. Rural enterprises are also at the forefront for opportunities for job creation, especially in rural areas to encourage labor force participation among women.

Box 1: Nepal Country Private Sector Diagnostic (CPSD)

The CPSD conducts a diagnostic of the main cross cutting constraints to private sector competitiveness and growth through data analysis, synthesis of existing research, and stakeholder consultations. It identifies key sectors that could play a key role in enabling Nepal's economic development. Jobs is an important consideration in selecting key sectors based on their potential for direct and indirect impact on GDP and employment.

For example, the tourism sector in Nepal has comparative advantage in high potential destinations and is expected to create better quality jobs in the less-developed parts of Nepal. The agribusiness sector can have substantial effect on living standards in rural areas through creation of high potential agriculture value chains such as tea and spices. The education sector is expected to improve the supply of skilled workers in private sector through quality education in tertiary and TVET sector. The IT sector is expected to expand good job opportunities for skilled youth and improve the productivity of other sectors.

Early findings also identify several cross-cutting constraints including weak logistics infrastructure, restrictive access to land, inadequate access to finance, shortage of relevant skills, limited firm capacity, and formal and informal barriers to entry.

With respect to migration, considering the recent trend in decreasing remittances and increasing migrants' returns, the focus is now shifting from skills development to graduation of returnee migrants to entrepreneurial activities. Both the GoN's Development Plan and the CPF recognize the need to provide extensive support to reintegrate returnee migrants into the productive economy.

The CPF proposes a range of PDO level indicators to track progress and achieve the objective of promoting economic growth through private sector led job creation. The extent to which these capture jobs outcomes vary. Indicators tracking progress on improving regulatory environments, financial services and improved access to opportunities capture impacts of jobs accurately. However, the ones focusing on private sector growth through investments in infrastructure fail to do so. For example, the objective of promoting private sector growth and job creation in energy sector is monitored through indicator "increase in generation capacity in select areas (excluding import)" which doesn't track the firms or beneficiaries benefitting from project. Supplemental indicators in addition to CPF indicators may be included in the results framework to accurately analyze the jobs impact. A list of jobs relevant indicators stated in CPF can be found in Annex 2.

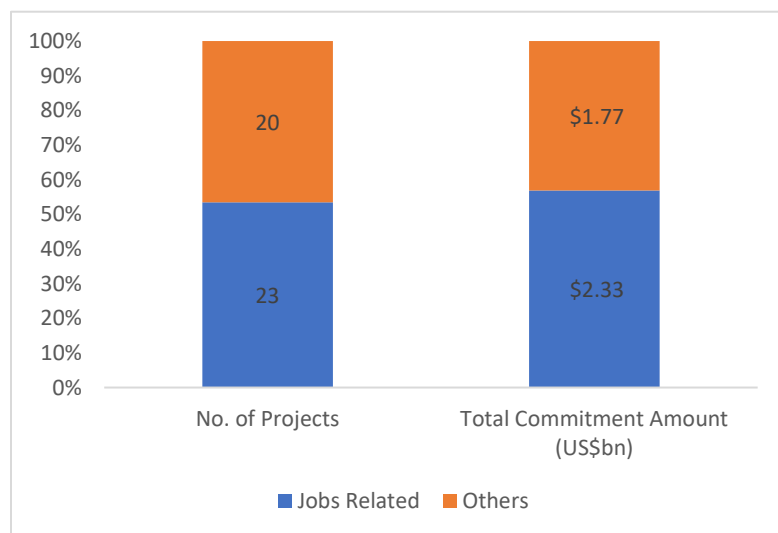
//. Portfolio Overview

This section presents the results of the portfolio assessment. It includes mapping of WBG and Development Partners' (DPs) jobs relevant project interventions and the outcomes they target, as articulated in the project documents. The populated JCF is referred to as a 'portfolio map'. Section 3.1 focuses on World Bank operations, followed by other DPs in Section 3.2. Section 4 includes an assessment of the World Bank's jobs-relevant operations and its accordance to the CPF, as well as its complementarity and overlap with DP interventions. Finally, Section 3.3 looks at World Bank jobs relevant ASAs. Each WBG and DP assessment presents a three-dimensional output of the portfolio mapping exercise based on 1. Count, i.e., the number of projects, and 2. Value, i.e., the level of investments (based on Total Commitment Amount), associated with specific jobs-related intervention types (macro and regulatory, sectoral and regional, and labor policies), and intended outcomes (job creation, quality, access).

A. World Bank lending operations

The World Bank Nepal's current lending portfolio with jobs relevance covers a total of 23 projects (20 active and 3 pipeline projects). These projects account for 53% of the entire portfolio with total commitment amount of USD 2.33 billion (57% of the total value of WB's lending portfolio). Projects spread across 8 GPs: Agriculture (26%), Energy and Extractives (22%), Transport and Digital Development (17%), Social, Urban, Rural and Resilience (13%), Water (9%), Education (4%), Finance, Competitiveness and Innovation (4%), and Social Protection and Labour (4%). This distribution is in accordance with the key sectors prioritized in the GoN's Development Plan, SCD and the CPF; the key sectors being agriculture, infrastructure (transport and energy), and post-earthquake reconstruction as sectors with high potential for jobs impacts. A listing and project details of the assessed jobs-relevant operations are provided in Annex 3.

Figure 2 World Bank operations (as of October 2018)



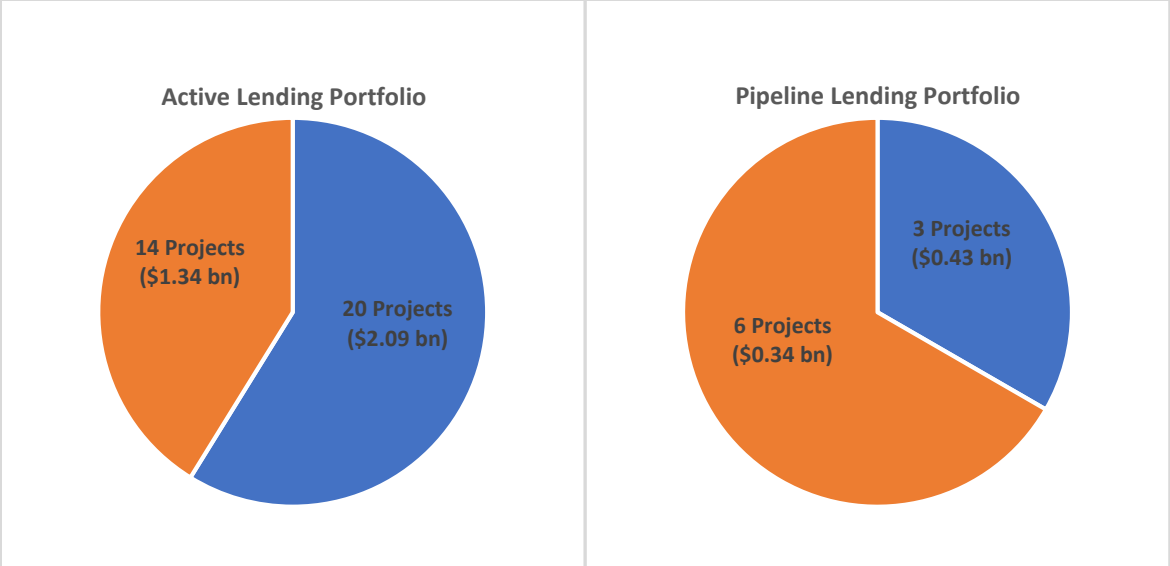


Figure 3 and 4 presents the three-dimensional output of the portfolio mapping exercise based on count (no. of projects, Fig. 3), and value (level of investment, Fig. 4.), associated with specific jobs-related intervention types (macro and regulatory, sectoral and regional, and labor policies) and jobs intended outcomes (intermediate outcomes, job creation, quality, and access).

Figure 3. Portfolio Mapping of World Bank's Jobs-related Operations in Nepal by Count

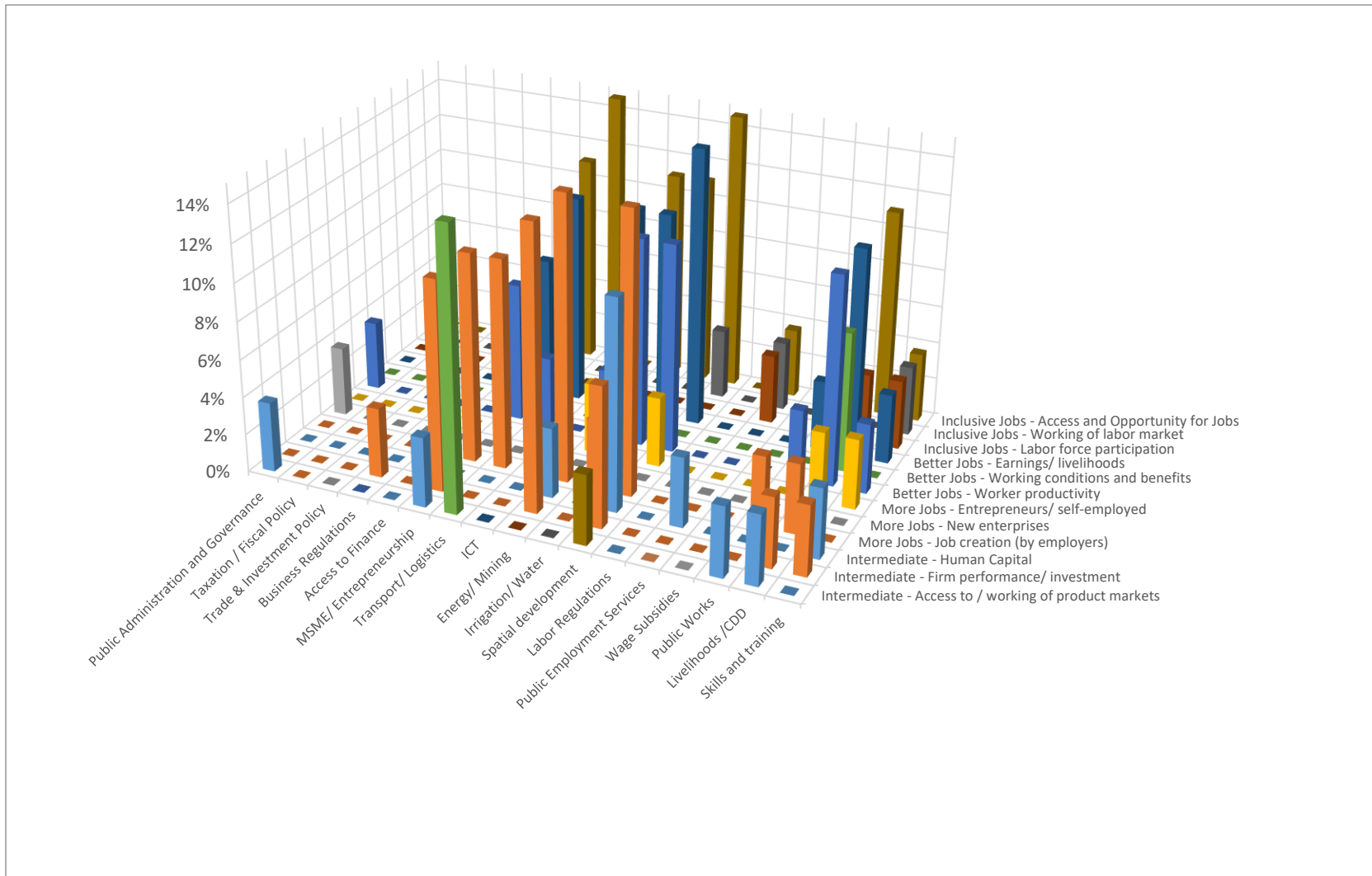
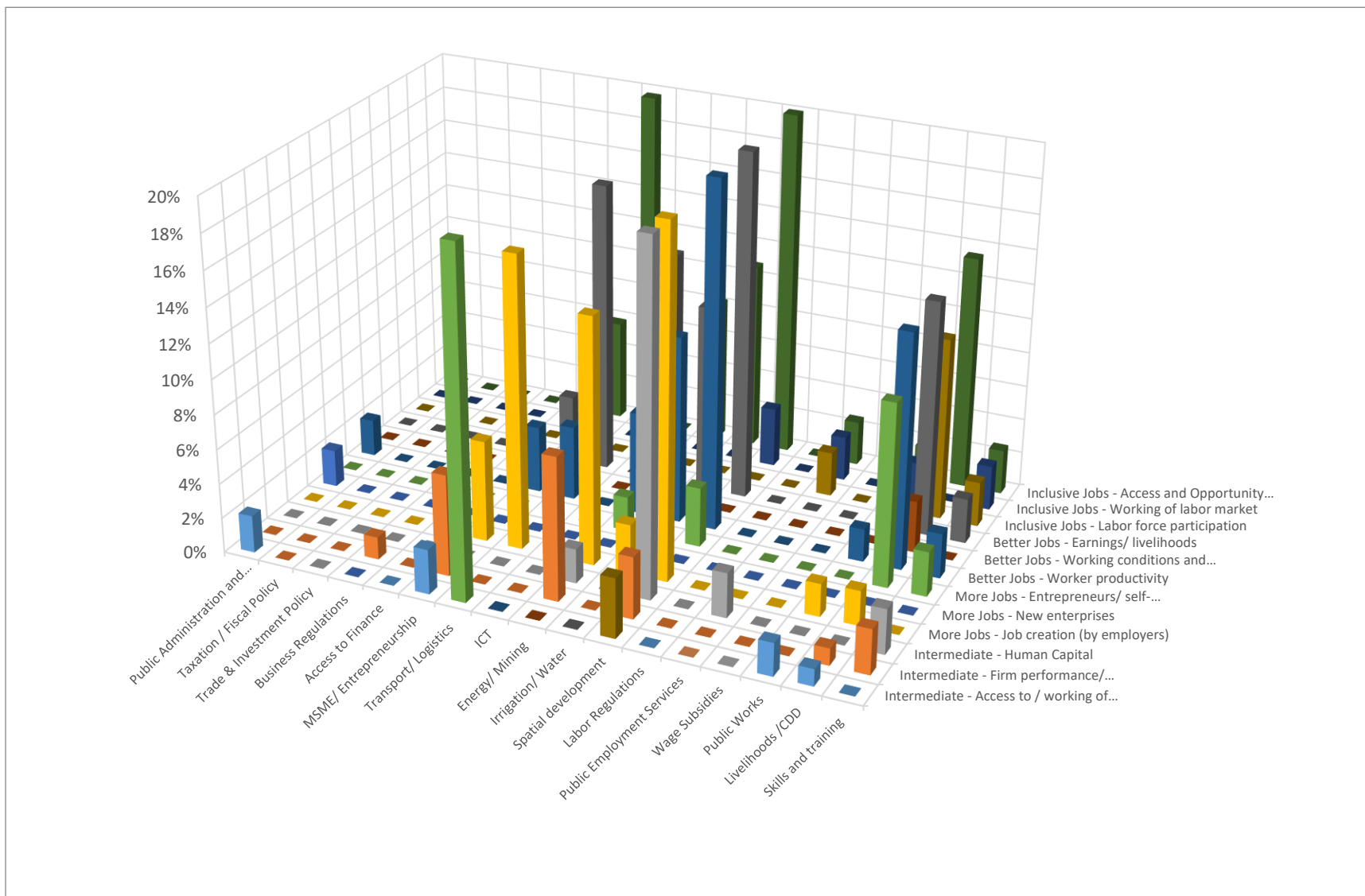


Figure 4: Portfolio Mapping of World Bank's Jobs-related Operations in Nepal by Level of Investments



With respect to type of interventions, both by count and by value, there is a large concentration of sectoral projects, followed by some concentration on labor-related interventions, specifically livelihoods. The reviewed portfolio includes 19 sectoral investments, which is dominated by interventions in Transport/Logistics, Energy/Mining and Spatial Development (which includes the US\$500M Earthquake Housing Reconstruction Project, EHRP), in line with priority sectors identified in the SCD and the CPF, as well as the GoN's Development Plan. Gaps are visible with respect to macro and regulatory policy level interventions,¹³ those addressing labor regulations, and public works projects. However, civil works, that provide temporary employment, are inherent in the infrastructure projects, under sectoral interventions, and have been recorded as having earnings/livelihoods and inclusive jobs outcome.

Concentration of sectoral projects by value is higher compared to count. Sectoral investments, with jobs-relevant outcomes, account for 43% of the total value of WB lending portfolio, and 76% of the jobs-relevant portfolio. Labor policies, and macro and regulatory policy interventions come in second and third, respectively, each accounting for 21% and 3% of the jobs-relevant portfolio.

By count, sectoral interventions account for 70% of the jobs-relevant portfolio, followed by labor policies (22%) and macro and regulatory interventions (7%). Labor policy interventions within the portfolio include five projects targeting public employment services, public works, livelihoods/CDD, and skills and training activities. Of these five, Poverty Alleviation Fund (PAF) II, Nepal Agriculture and Food Security Project (NAFSP), and Food and Nutrition Security Enhancement Project (FNSEP) are agricultural livelihoods/CDD type interventions. The other two projects included Enhanced Vocational Education and Training (EVENT) II Project, focusing on skills and training in TVET sector, and the pipeline project Accelerating Inclusive Jobs Growth for Youth in Nepal. The portfolio, however, lacks interventions that address labor regulations and wage subsidies, and also macro and regulatory interventions specific to jobs.

In terms of Job Outcomes, the distribution is more even, and spread across all four jobs outcomes¹⁴ signifying the importance of each across all interventions. Inclusive opportunities, specifically those for women and other disadvantaged groups (DAGs),¹⁵ is a common target beneficiary group in all the projects across the portfolio.

¹³ While there were no specific macro and regulatory policy level interventions specific to jobs, jobs components were identified within sectoral interventions, in projects such as Nepal Livestock Sector Innovation Project (NLSIP) and the Nepal-India Regional Trade and Transport Project. For instance, the NLSIP has one of the components dedicated to developing a fully functional and operational Livestock Management Information System to collect, process, analyze and disseminate accurate livestock information, including dissemination of and assessment of the effectiveness of e-extension services to farmers.

¹⁴ 1. Intermediate outcomes, 2. Job Creation, 3. Job Quality, and 4. Job Access.

¹⁵ In addition to women, youth and marginal households, DAGs include caste/ethnicity based disadvantaged groups such as Dalits and Indigenous people.

Box 2: Accelerating Inclusive Jobs Growth for Youth in Nepal

This pipeline operation has three separate components addressing different needs to enhance employment conditions – an **employment services and systems** component that seeks to support the government establish and run Employment Service Centers across the country and establish an integrated national e-Employment Service Platform. The **public-sector job creation** component includes supporting GoN’s flagship ‘Prime Minister’s Employment Program’ through labor-intensive public works and provision of performance grants for investments in small public works to sub-national governments. This sub-component also includes provision of on-the-job training on relevant trades and life-skills trainings for beneficiaries to enhance their employability. The third component of the project aims at creating **jobs in the private sector**, through grant and technical assistance support to SMEs through a jobs-based Business Plan Competition.

B. Results framework analysis for the Nepal Jobs Portfolio

Intermediate Outcomes

74% of the jobs-relevant portfolio targets intermediate outcomes. These mostly include sectoral investments in transport and energy, and those addressing MSME/Entrepreneurship needs, that facilitate better access to markets through better and improved connectivity, and firm performance through grants and TA support to SMEs and sub-national governments. Irrigation/Water related interventions were found to associate mostly with job quality and access outcomes focusing on increase in agricultural productivity and beneficiaries’ earnings.

Within the interventions targeting intermediate outcomes, raising firm level performance and investments were found to be targeted by 60% of the portfolio. These include agriculture investments, including Project for Agriculture Commercialization and Trade (PACT), Nepal Livestock Sector Innovation Project (NLSIP), Food and Nutrition Security Enhancement Project, and pipelines Nepal Sustainable Tourism Value Creation and the cross-sectoral Accelerating Inclusive Jobs Growth in Nepal, which provide grants support to farmer groups, cooperatives and SMEs coupled with business development services to encourage private sector participation and firm efficiency. Firm performance and investments are also impacted through hydropower and other renewable energy (solar) projects, which aim at improving local electricity generation (including developing export potential), and adjusting supply to meet incremental changes in demand. Any energy project that strengthens domestic generation and enhances transmission is likely to have positive economic impacts, with productivity impacts for private sector consumers - owing to lower energy costs and better energy supply. These projects are highly relevant for job creation effects in the long run.

Access to markets and human capital outcomes account for 45% and 30%, respectively. Access to markets is mostly achieved through infrastructure interventions for better road connectivity, investments in domestic road infrastructure, and regional connectivity with India (facilitating trade). Agriculture investments, including PACT, NAFSP, NLSIP and Food and Nutrition Security Enhancement Projects focus on developing agriculture value chains through investments in market infrastructure, technology transfers, and developing commodity markets for small-holder farmers and agribusinesses, improving

access to inputs and end markets. Human capital development is specifically targeted by projects like EVENT II, Accelerating Inclusive Jobs Growth for Youth in Nepal, and the Earthquake Housing Reconstruction Project (EHRP).

While it may not be articulated so in the project documents, all the above intended intermediate

**Box 3: Measuring Labor Market Outcomes:
Enhanced Vocational Education and Training (EVENT) II**

EVENT II focuses on enhancing market-relevant skills, facilitation and provision of trainings, apprenticeship programs and skills testing to enhance employability and earnings for the youth, including migrants (potential, repeat and returnees). The project uses the results-based metrics to fund training programs for disadvantaged and rural youth. Affiliated private sector training providers are remunerated based on achievements in (a) representation of vulnerable groups, (b) training completion, testing and certification (c) labor market outcomes after training completion. These labor market outcomes include evidence of gainful employment or self-employment within 3-months and 6-months of training completion and monthly earnings.

Widening access to vulnerable groups:

The project has special focus on women, migrants and hard-to reach youth such bonded labor. The project provides positive incentives to training service providers to address gender gaps in participation of women/girls in TVET programs, especially for non-traditional trades.

outcomes will be expected to spur economic activities in and around their respective project areas (both sector and geography), which will have indirect and induced jobs effects (Creation, Quality and Access).

Job Creation, Quality and Access

In terms of intended jobs outcomes, there is some emphasis within specific projects on job creation, quality and access. 78% of the reviewed projects are considered to have (inferred, but not necessarily explicit in project documents) job creation outcomes, 81% of the portfolio are found to affect quality, and 85% of the portfolio address access to jobs. These interventions spread across all intervention types, but are mostly concentrated in sectoral and regional interventions, which include Infrastructure (transport, energy, and water), MSME/Entrepreneurship, and Spatial Development.

As seen with the Bangladesh portfolio review,¹⁶ job creation targets are achieved primarily through employment opportunities within existing firms (18 interventions, 67% of the portfolio) of which over 50% (10 interventions) are interventions targeting jobs creation through civil construction works, focusing on relatively low skilled construction jobs. Only a handful of projects, agricultural projects such as PACT and NLSIP, and the cross-sectoral Accelerating Inclusive Jobs Growth for Youth in Nepal, focus on support for higher skill level jobs through support to SMEs for job creation or through access to skills and training and

¹⁶ Farole, Tom (2018), How are we addressing Bangladesh's Jobs Challenges? Portfolio Review, Bangladesh Jobs Platform (forthcoming).

certification (EVENT II). Very few projects, like PAF II, EVENT II and Nepal Sustainable Tourism Value Creation target self-employment, and even fewer, only one to be precise (the NLSIP), impacts creation of or support to new enterprises. The project, with specific focus on strengthening private sector participation in livestock value chain, supports the establishment of new cooperatives and producer groups as well as subsequent formalization of informal farmer groups into organized and registered producer associations and cooperatives. While the agriculture projects mentioned above do recognize the potential for creation/expansion of employment opportunities through value chain development support, and commercialization and productivity gains through technology and skills transfers, the projects however, do not necessarily, list it as a key outcome and refrain from quantifying it in their project documents. The pipeline Accelerating Inclusive Jobs Growth for Nepal, however, is the only exception and specifically looks at selection of grant winners (SMEs) using metrics for projected jobs impact and cost per job, and lists “sustainable quality jobs created by firms” as a key project result.

With respect to quality of jobs, most projects target improvements in worker productivity and

Box 4: Direct, Indirect and Induced Jobs Impacts

While projects acknowledge the direct employment opportunities created through investments, indirect and induced jobs impacts are left out of the economic analysis or results frameworks in the project documents. Transport and energy projects are rarely found to analyze the number of potential businesses that may benefit and the ensuing jobs and income gains, while agriculture value chain investments limit their outcomes to direct beneficiaries- farmers, producer groups or agribusinesses.

While it is understood that indirect and induced jobs may be difficult to measure, even direct jobs impacts are limited to very few projects in the portfolio. Of the 16 projects in infrastructure, public works and TVET sectors, only 8 include indicators tracking the jobs impacts. These included the Nepal-India Electricity Transmission and Trade Project, Kabeli-A Hydro Electric Project, NAFSP, EHRP, NLSIP, EVENT II, Accelerating Inclusive Jobs Growth for Youth in Nepal and Sustainable Tourism Value Creation Project.

earnings/income through support for increasing productivity and through temporary employment in infrastructure projects. Only two projects, AFSP and Food and Nutrition Enhancement Project, both addressing food security needs, were found to address better working conditions, specifically for women through the adoption of labor-saving technologies at the farm and household levels. Overall, 59% of the interventions were found to address worker productivity outcomes, 7% working conditions and benefits, and 74% addressing earnings and income effects. The large share of earnings outcome is because the portfolio is dominated by sectoral investments involving public works and agriculture value chain expansion, and support activities, for which agricultural productivity and income gains are very significant measurable outcomes.

While 85% of the portfolio projects do target inclusive jobs, most projects only target vulnerable population, including women, youth and DAGs, as their primary beneficiaries, which is quite natural considering most projects in the portfolio are largely rural (most agriculture and food security projects, as well as road and energy projects with mostly rural project areas). Only few projects (12.5% of the

portfolio), such as PAF II, EVENT II and Accelerating Inclusive Jobs Growth in Nepal, target impacts on labor force participation or working of the labor market, through access to and availability of skills/entrepreneurship trainings and affecting demand for labor, respectively.

Regarding interventions targeting migration, it is important to note that WBG operations do not have specific migration related interventions, although projects like EVENT II and the pipeline Accelerating Inclusive Jobs Growth in Nepal include them as one of the target segments for potential beneficiaries. However, this target group does attract more attention among the donor partners' interventions, as compared to WB portfolio.

C. Development Partners' Operations

The portfolio assessment includes portfolio mapping and assessment of jobs-relevant projects from key development partners active in Nepal. These include Asian Development Bank (ADB), Australian Aid, Danish International Development Agency (DANIDA), Department for International Development (DFID), European Union (EU), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), International Centre for Integrated Mountain Development (ICIMOD), International Fund for Agricultural Development (IFAD), International Labor Organization (ILO), International Organization for Migration (IOM), Korean International Cooperation Agency (KOICA), Norwegian Embassy, Swiss Development Corporation (SDC), United Nations Development Program (UNDP), United States Agency for International Development (USAID), and World Food Program (WFP). It is important to note that while the WBG portfolio considers pipeline projects, the assessment for DP portfolio only looks at active projects as of March 2018, due to limited information on pipeline projects. Also, the active projects in the portfolio include both investment projects as well as technical assistance projects.

Overall, the DP portfolio has 79 projects, assessed as jobs-relevant. ADB, DFID, and USAID appear among the top DPs (not in order) both in terms of number of jobs-relevant projects as well as value of investments. ADB tops both lists, accounting for 27% of the portfolio by count, and 55% of the portfolio by level of investment. The average investment per jobs project, within its portfolio, is USD 73 mn and stands out as the only DP with a portfolio of over USD 1.5 bn. By value, DFID is the second largest donor with 14% of the total portfolio, followed by USAID (7%), DANIDA (6%) and IFAD (5%). The funding approach among the DPs varies widely. While some focus on few projects with large investments, others implement smaller projects spread across several sectors. For instance, while SDC funds 15 jobs-relevant projects (17% of the entire portfolio, by count), its average investment per project is only USD 9.5mn, while DANIDA, which funds only 2 projects (which is only 3% of the entire DP portfolio by count), has an average funding of USD 86mn. The average investment per jobs projects for DPs, excluding ADB and DANIDA, is only USD 19mn, compared to USD 86mn for DANIDA, USD 73mn for ADB, and USD 101mn for WBG operations. Annex 4 provides the list and project details for all the active jobs-relevant DP interventions reviewed for this assessment.

Figures 5 and 6 below present the three-dimensional outputs by count and by level of investments, respectively, for the reviewed DP portfolio. The graphs have been derived from the portfolio mapping exercise using the World Bank's JCF. Key findings from the assessment are summarized in the following paragraphs.

In contrast to the WBG portfolio, which focuses on sectoral interventions, the majority of the DP portfolio comprises of labor policy interventions (59% of the total portfolio), particularly livelihood and skills trainings, which account for 26% and 13%, respectively, of the total DP portfolio. Skills training projects are highly dominated by SDC interventions, which alone account for 36% of the skills and trainings portfolio. Across DPs, including WBG's EVENT II, skills and trainings interventions intend to impact most jobs outcomes, from human capital development and worker productivity, to affecting beneficiaries' access to and potential for better employability. Such interventions, like SDC's Enhanced Skills for Sustainable and Rewarding Employment (ENSSURE), WBG's EVENT II, EU funded TVET¹⁷ Practical Partnership Project, and even those working on post-earthquake reconstruction, are now increasingly looking at on-the-job trainings, apprenticeships, and self-employment opportunities for the Nepalese youth, including migrants and returnees.

Project concentrations on sectoral interventions, while noteworthy (34% of the total portfolio), are much less when compared to livelihoods and skills and trainings. Again, like WBG operations, much of the sectoral interventions are on Infrastructure projects (transport and energy), which account for 52% of the DPs sectoral portfolio, and 18% of the total portfolio.

In comparison to WBG, there are more jobs-relevant macro and regulatory policy level interventions, with a concentration on Trade and Investment Policy interventions. This includes DFID's Accelerating Investment and Infrastructure in Nepal, ADB's South Asia Sub-regional Economic Cooperation Customs Reform and Modernization for Trade Facilitation Program, USAID's Policy Reform Initiative and the EU project on Support for Trade and Economic Capacity Building: Trade and Private Sector Development.

In contrast, based on value, i.e., the amount of investments, sectoral investments, particularly transport/logistics and energy/mining, and labor policy interventions, particularly public works, and livelihoods projects, become more prominent. Infrastructure investments (including transport and energy and excluding Irrigation/Water) amount to a total of USD 1.02 bn, which is 37% of the total DP portfolio value. On the other hand, livelihoods, and public works interventions each account for 21% and 23% of the total DP portfolio size, respectively, while skills and trainings interventions are only 5%.

In terms of intended outcomes, the DP portfolio has significant concentration on jobs access (87% of total portfolio), quality (79%), and intermediate (72%) outcomes, as compared to jobs creation (56%). This may be because of the concentration of interventions on livelihoods, public works, and skills and trainings projects which often target worker productivity (also affecting human capital development), better earnings (also resulting from market linkage development activities), and inclusion of vulnerable groups. Many of the livelihoods projects have a focus on agriculture value chains (agriculture being the dominant economic sector and mostly, rural) and support for smallholder farmers, with women and other DAGs as specific targets. Hence, while targeting jobs quality and inclusion, the projects also, through value chain development support, target intermediate outcomes for human capital development and access to markets for rural population. Similarly, sectoral interventions also tend to target all jobs outcomes from improving access to markets (intermediate) through infrastructure investments, to employment opportunities (job creation) through civil works components, and earnings (quality) and inclusion (access).

¹⁷ Technical and Vocational Education and Training

Access to finance for MSMEs and rural enterprises is also a common theme across livelihoods projects to support jobs outcomes.

The DP portfolio targets more, better, and inclusive jobs outcomes which are largely driven by high concentration of supply side interventions. While there is clear focus on jobs quality, like WBG operations, for DP portfolio too, this is mostly targeted through earnings and productivity results. Only a handful of interventions are found to target better quality of jobs through better working conditions or benefits. Moreover, most of the interventions that do mention this outcome tend to be associated with migration, for instance, projects like IOM's Enhancing Industry Capacity to Implement Ethical Recruitment Models in Vietnam and Nepal to Protect Migrant Workers in South Korean Businesses (Regional Project) and ILO projects (implemented by ILO, but funded by other DPs) like the BRIDGE Project - From Protocol to Practice: A Bridge to Global Action on Forced Labour, Integrated Programme on Fair Recruitment (FAIR), Work in Freedom project (focused on trafficking of women and girls in South Asia and the Middle East), and SDC's ENSSURE and Safer Migration (SaMi) projects. Hence, there is a gap, both with respect to DPs' and WBG's focus on better working conditions for employment based in Nepal. This is particularly important considering the scale of informal employment in the country.

Figure 5: Portfolio Mapping of Development Partners' Jobs-related Operations in Nepal by Number of Projects

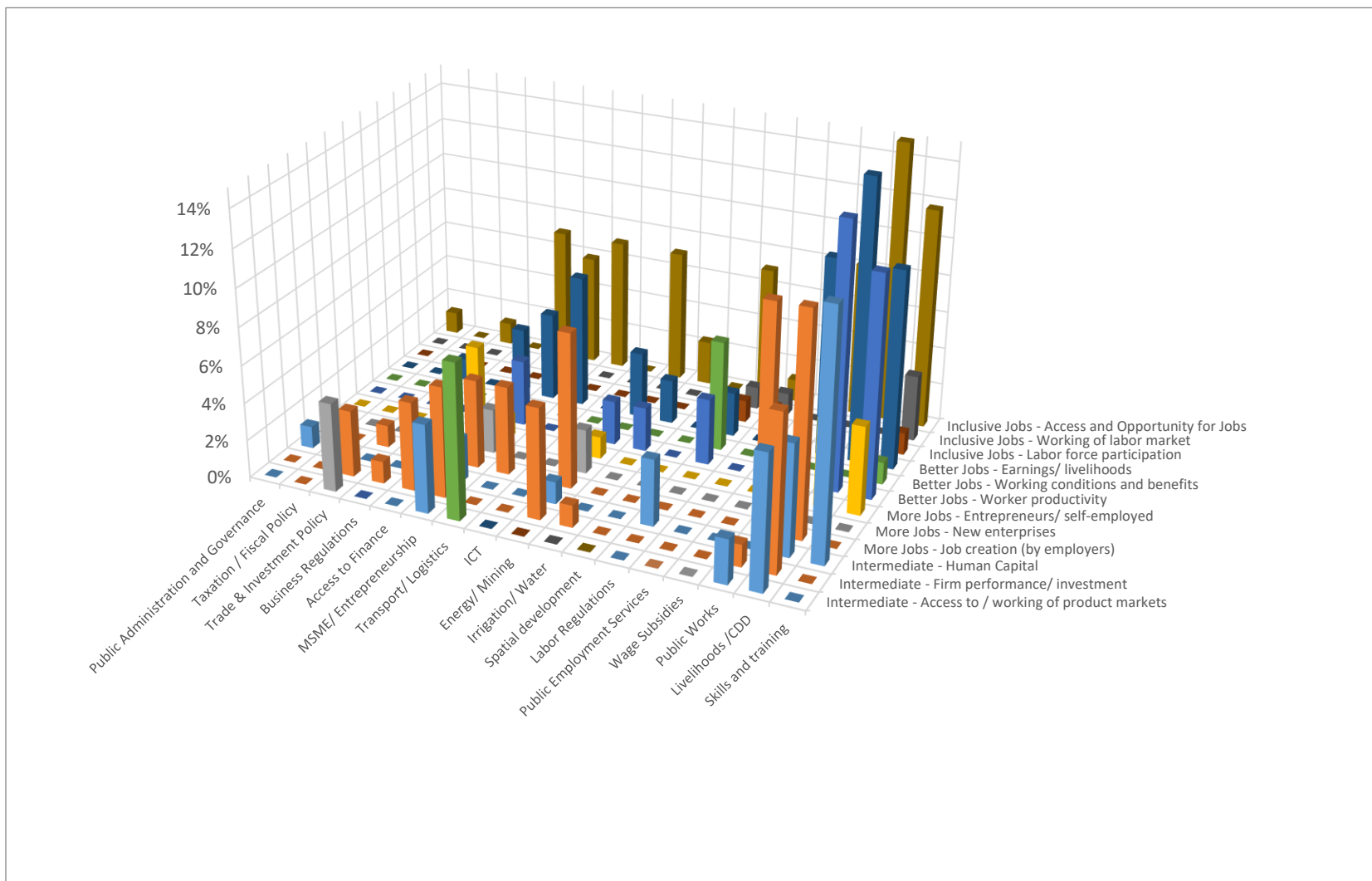
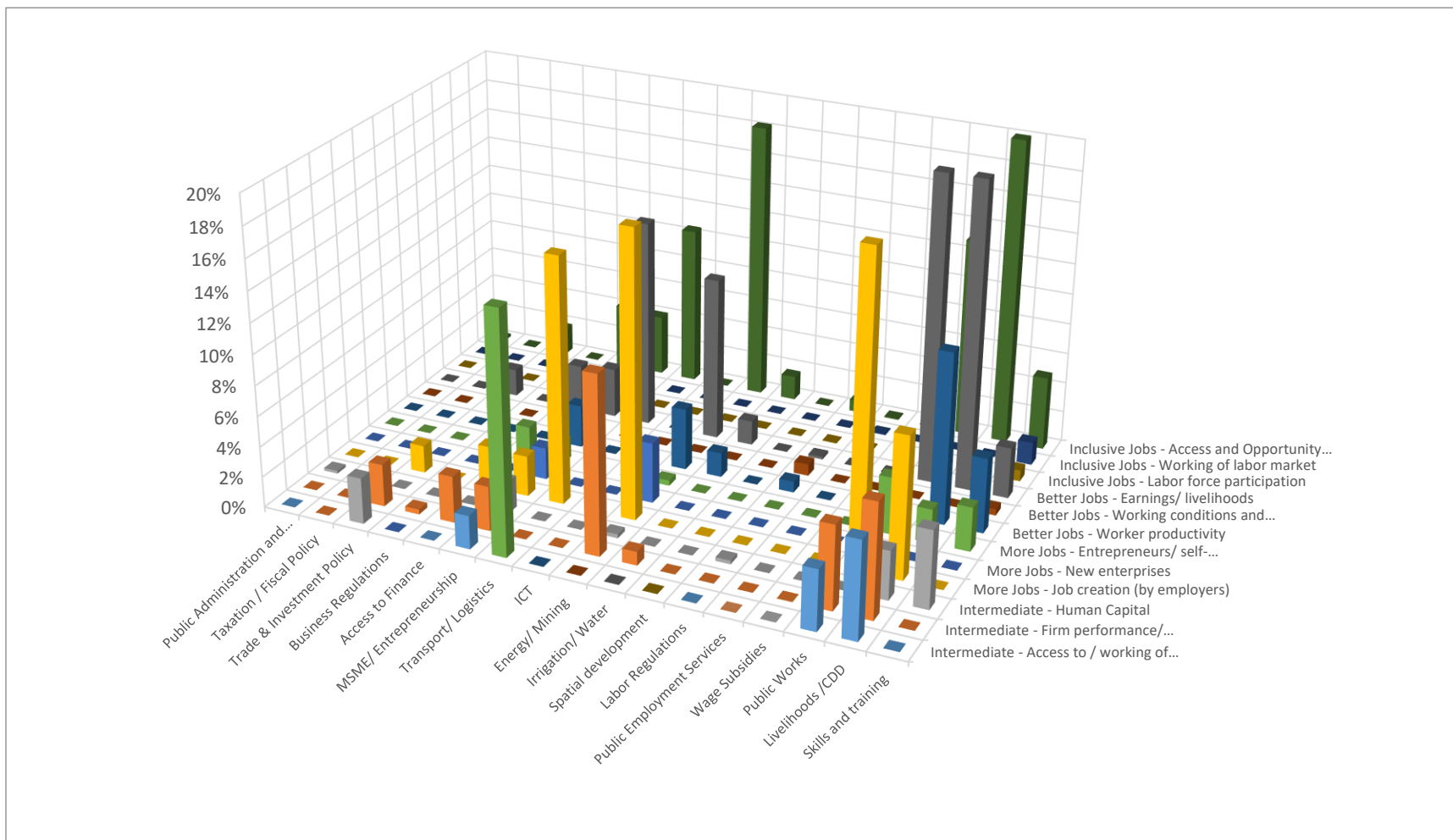


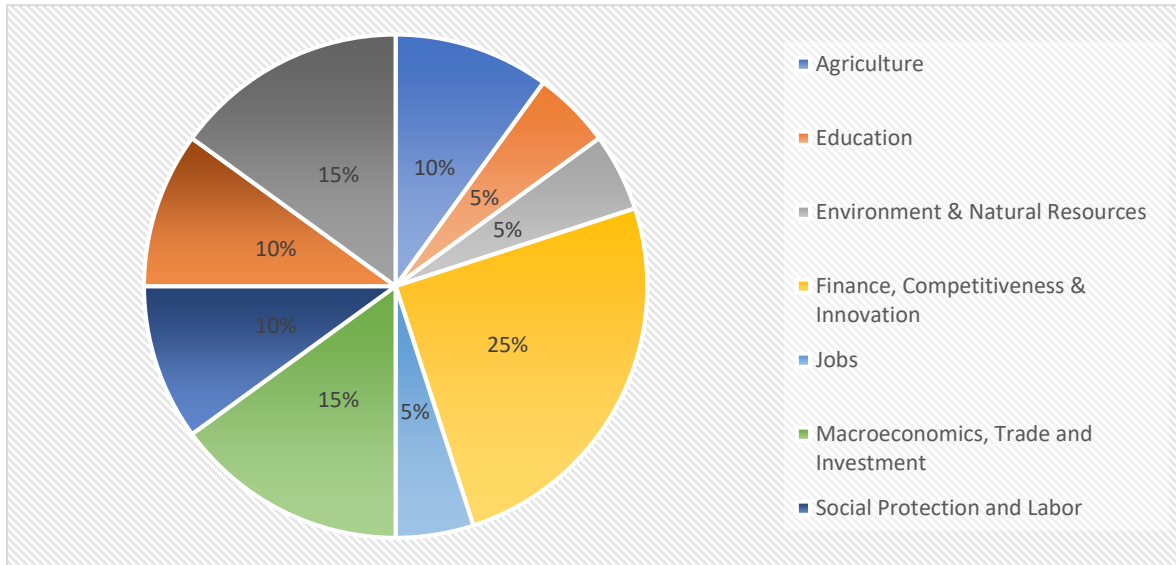
Figure 6 Portfolio Mapping of Development Partners' Jobs-related Operations in Nepal by Level of Investments



D. World Bank ASA analysis using the Jobs Conceptual Framework

The World Bank ASA portfolio review covers 7 active (21% of the active ASAs) and 13 closed (25% of the closed ASAs) jobs-relevant activities. These activities constitute 23% of the total WBG ASA portfolio, with total value of these projects at USD 4.87mn. The activities are distributed across 9 GPs.

Figure 7: Distribution of Jobs ASA activities across GP



Of the seven active ASAs, three are directly related to lending operations. The DIME Agriculture and Irrigation in Nepal is an impact evaluation of two components under the ongoing Modernization of Rani Jamara Kulariya Irrigation Scheme - Phase 2 project. This ASA studies the impact of irrigation works and agricultural extension through various training programs to inform project design during implementation. The ASA on Sustainable Tourism Development and Value Creation in Nepal seeks to review policies to promote nature-based tourism in Nepal, which will feed into the lending operation design. This review itself is a part of the “Support to Developing an Inclusive Jobs Strategy for Nepal” ASA, which addresses the need for and delivery of better jobs outcomes in the formal, and informal, sector in Nepal.

The active portfolio also includes two policy note activities, one devising an effective Agriculture Finance Strategy and the other on upgrading regional and global value chains within high impact sectors in Nepal. The latter specifically focuses on studying FDI flows and improving competitiveness of Nepalese firms in international markets. Both ASAs include an in-depth study of the private sector in Nepal, its challenges and recommendations to overcome them.

By value, most of the projects are below USD 400,000, except for the Nepal Regional Trade Program which is a USD 1.86 million project, and the DIME-GAFSP Impact Evaluation (USD 840,746). List and project details of the assessed jobs-relevant ASA activities are provided in Annex 5.

Figures 8 and 9 below present the three-dimensional outputs by count and by level of investments, respectively, for the reviewed ASA portfolio of the Bank. The graphs have been derived from the portfolio

mapping exercise using the World Bank's JCF. Key findings from the assessment are summarized in the following paragraphs.

In terms of the number of interventions, there is a significant concentration on Macro and Regulatory policy interventions by count (11 activities, 55% of the total portfolio) in contrast to the lending operations (7% of the portfolio). Within this, 64% (7 activities) are Trade and Investment Policy interventions and remaining 36% (4 activities) are Public Administration and Governance interventions. Sectoral and Regional Policy interventions account for 20% (4 activities) of the total reviewed portfolio, with one project each covering Access to Finance, Energy/Mining, Irrigation/Water and Spatial Development. Labor Policy interventions account for 25% of the portfolio, of which three activities fall under Livelihoods/CDD, and one each under Labor Regulations and Skills and Training.

When breaking down the portfolio by value, 55% of the investment is on Macro and Regulatory Policy interventions, while Sectoral and Regional policies and Labor Policies, respectively, account for 14% and 31% of the total ASA portfolio investment. The ASA portfolio is heavily invested in two areas – trade and investment policy, 50% of the total portfolio value, and livelihoods/CDD, 27%. Taxation/fiscal policy, business regulations, and ICT lack attention in both lending and ASA portfolio.

In terms of intended outcomes, the emphasis is mostly on intermediate outcomes. All projects in the review target intermediate outcomes with majority of the portfolio targeting firm level performance/investment (70% of the portfolio). This is due to the dominance of trade and investment policy related interventions, which are naturally private sector oriented, in terms of ultimate beneficiary/impacts.

Jobs quality receives second most priority, with 40% share of the portfolio, followed by Jobs Access, which comprises 35% of the portfolio. Quality of jobs and inclusion are more concentrated in labor regulations and Livelihoods/CDD interventions. These targeted outcomes are addressed either through impact on workers' productivity or earnings, or through provisions for inclusion of vulnerable groups (including women, youth and DAGs) - covered by 30% and 35% of the portfolio activities, respectively. Only two ASAs, the active Support to Developing an Inclusive Jobs Strategy for Nepal and closed Understanding the Labor Market Decisions and Outcomes of Nepal's Young Adults, target job access outcomes through labor force participation and working of the labor market. Both these activities are under the Social Protection and Labor/Jobs GP.

The review found little by way of policy level interventions targeting working conditions and benefits for workers, job creation through existing firms, new enterprises or self-employment. Jobs creation was, in fact, found to receive the least importance: only 4 projects, 20% of the portfolio, all of them already closed, had that goal. They include interventions in trade and investment climate and hydropower, and focus primarily on the demand-side interventions to impact private sector firm performance to influence the demand for labor. The active Support to Developing an Inclusive Jobs Strategy for Nepal through its Jobs Diagnostics report may be able to inform on sectors with potential for and high evidence of jobs growth to help plan and design lending operations (active or future). Further, future interventions based on the findings of ASA activities addressing trade and investment policies and investment climate, the

Agriculture Finance Strategy and ASA on Sustainable Tourism Development and Value Creation, should influence both existing as well as encourage new enterprises.

Figure 8: Portfolio Mapping of World Bank's Jobs-related ASA Activities in Nepal by Number of Projects

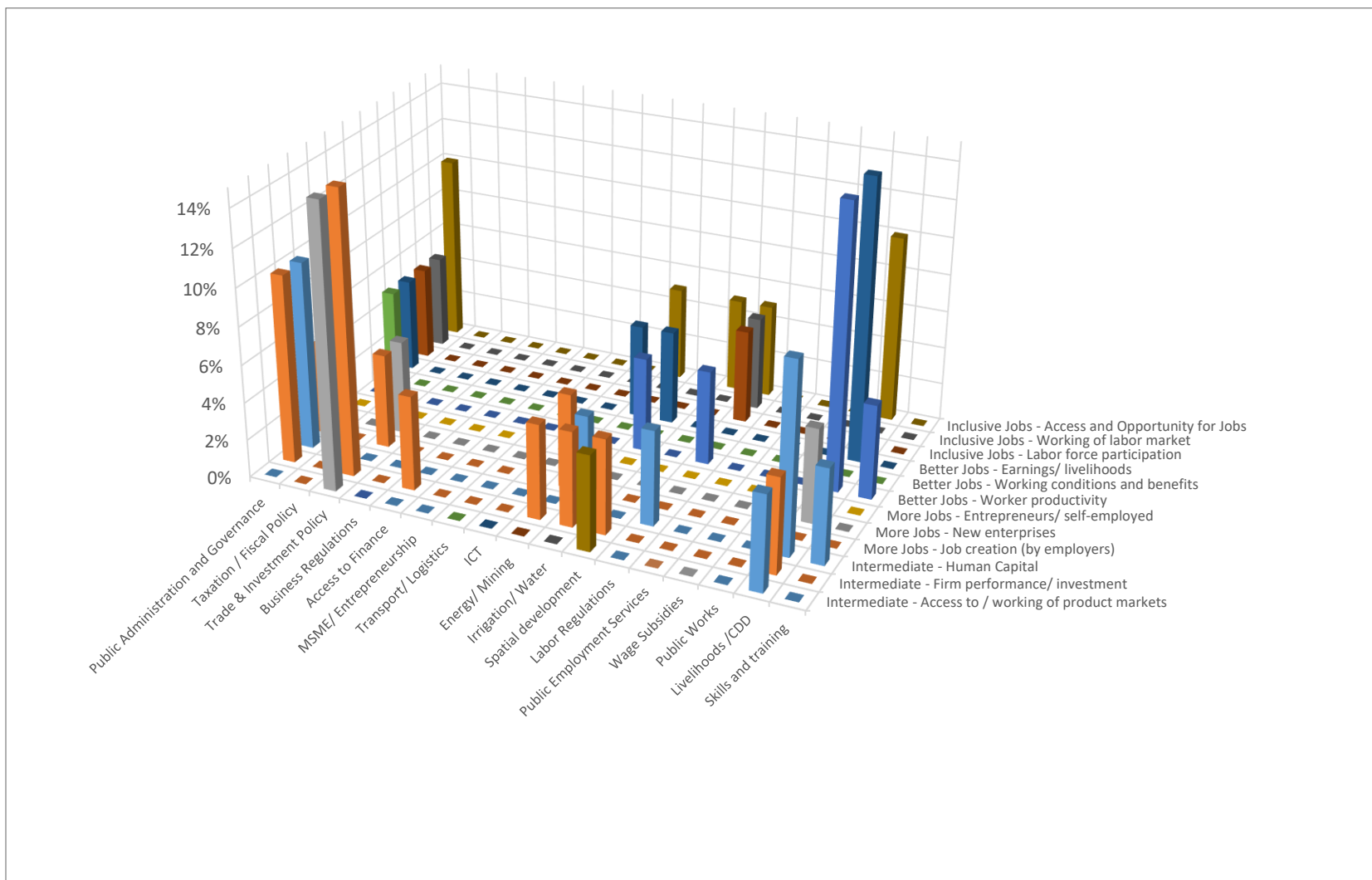
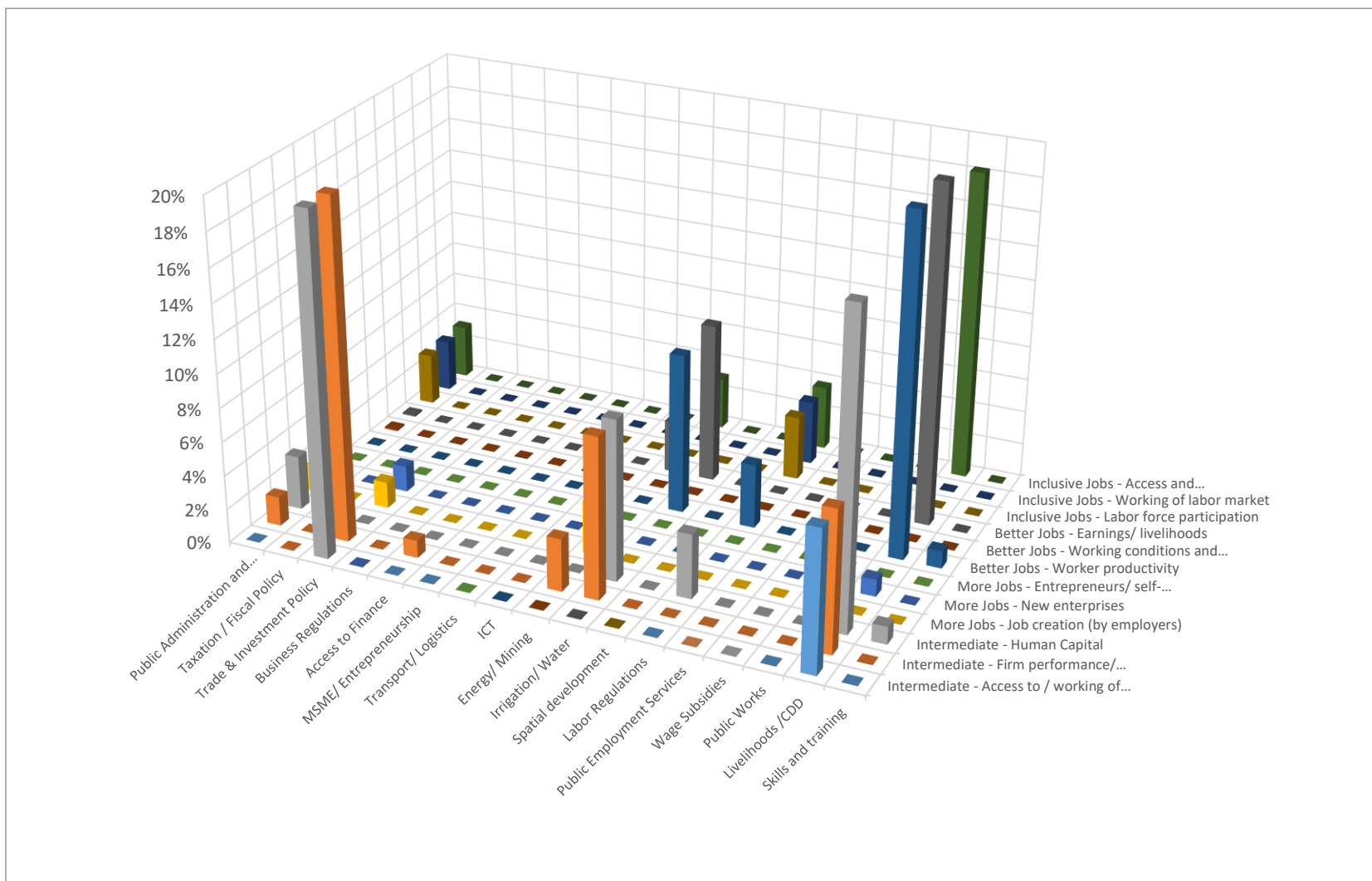


Figure 9: Portfolio Mapping of World Bank's Jobs-related ASA Activities in Nepal by Level of Investments



III. Gap Analysis and Recommendations

A. WBG Operations and Accordance to the CPF

As seen from the analysis above, most WBG projects are focused on sectors that are already identified as key sectors for economic growth for Nepal and the jobs agenda. Sectoral investments are highly concentrated in agriculture, infrastructure, and tourism (included as spatial development interventions in the analysis), both by number and by value. This is also true for development partners, whose portfolios too are very intense in these very key sectors. Moreover, most sectoral and livelihoods projects (including transport and energy, and skills and trainings, in addition to agriculture) focus on encouraging private sector participation, primarily through their inclusion within the project (e.g. SMEs for business development services and matching grant schemes in livelihoods/entrepreneurship projects, and contracted agencies for infrastructure investments). This is in accordance with the CPF and SCD's goal to achieve jobs outcomes leveraging private investment. This is, again, a common theme across all development partners' initiatives in Nepal.

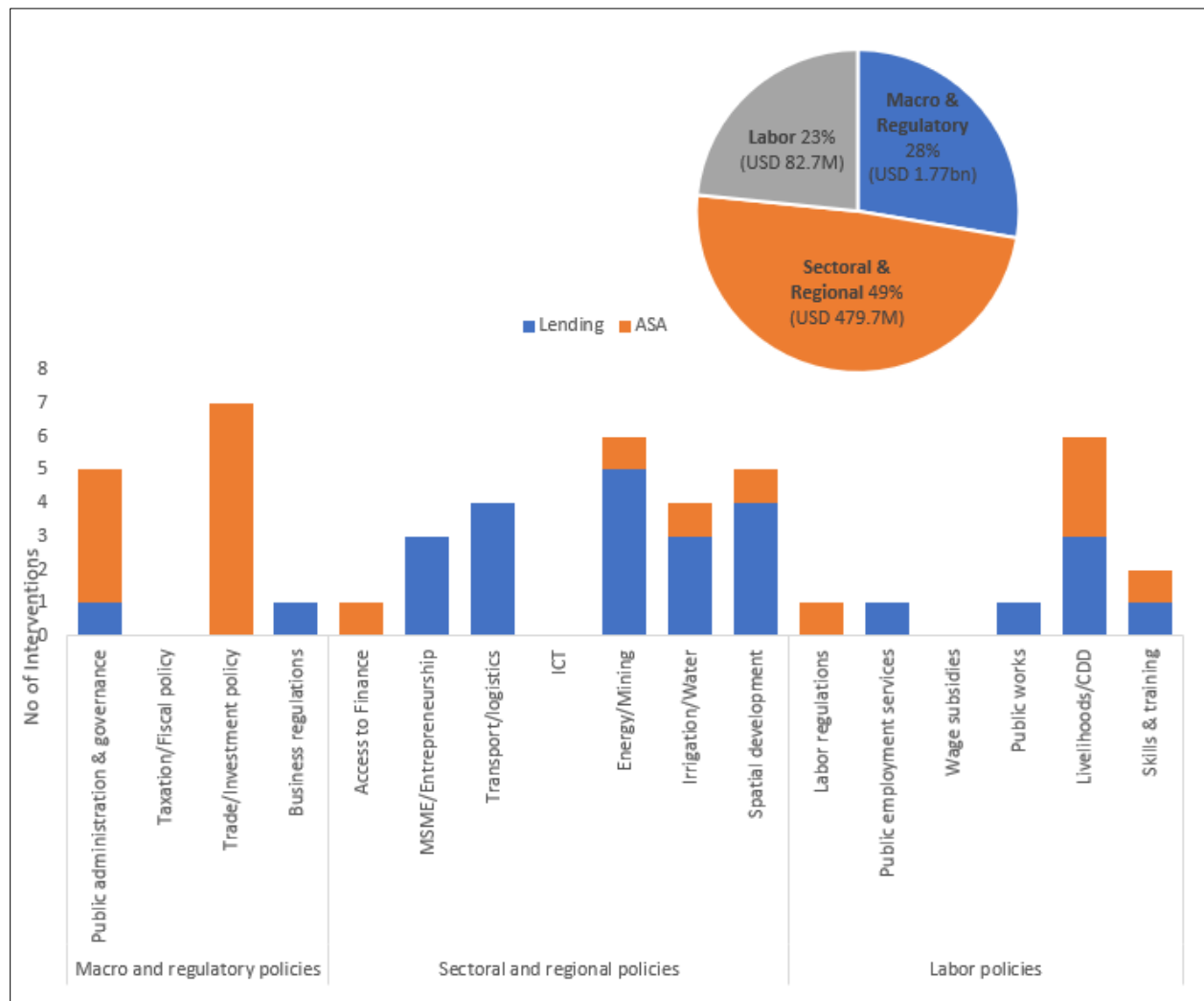
With respect to migration and human capital development, projects like EVENT II and Accelerating Inclusive Jobs in Nepal are two projects that cater to migrants as one segment of beneficiaries within the project. Both projects extend support to migrants/returnee migrants through various labor intermediation services including referrals for skills and trainings, recognition/certification of prior learning, self-employment/entrepreneurship support, as well as apprenticeships and formal jobs placements. However, considering the intensity of migration in the country, and relative importance placed on it in the SCD, CPF and the government's development plan, the bank portfolio needs to improve focus on migrant groups in lending operations and analytical work. This could be achieved by including them as specific target beneficiaries within the existing, as well as any new jobs-themed projects. This sector already receives other DPs attention, and considering the GoN's sensitivity towards the sector, WB interventions will need to be carefully designed to avoid duplication with existing international efforts in the sector.

B. Gaps in the World Bank Portfolio

The foregoing analysis reveals clear gaps with respect to interventions and intended outcomes, as seen in Figures 10, 11 and 12. In terms of interventions (Figure 10), there are no interventions on taxation and fiscal policy, ICT or labor market regulation. Also, while "creation of more and better jobs" has been widely stated as a major goal, both by the government as well as the World Bank's CPF and SCD, the portfolios lack coverage on job creation outcomes through support for entry of new enterprises and entrepreneurship/self-employment. However, both these gaps will be addressed by pipeline projects that are not yet captured in the portfolio analysis.

The portfolio is found to be largely focused on creation of employment opportunities which, as previously mentioned, are in semi- or unskilled manual labor jobs through small- and large-scale civil construction works. This concentration of jobs impact is also evident in DP portfolio, which too includes majority of sectoral investments in infrastructure. While there is significant donor engagement (WBG and other DPs) to upgrade employment structure in agriculture sector, the same is missing in other productive sectors such as that of manufacturing and service.

Figure 10: Summary Analysis by Intervention Type – World Bank Portfolio, by Count



In terms of intended jobs quality outcomes (Figures 11 and 12), focus is on productivity and earnings while working conditions and benefit are insufficiently addressed in the portfolio. The second most evident gap is with regards to inclusion. While majority of the interventions, including those of development partners’, stress on provisions for equal access of project benefits to women, youth and other DAGs, inclusion outcomes through impacts on labor force participation and workings of the labor market are ignored in the portfolio.

Figure 11: Summary Analysis by Intended Jobs Outcomes – World Bank Portfolio, by Count

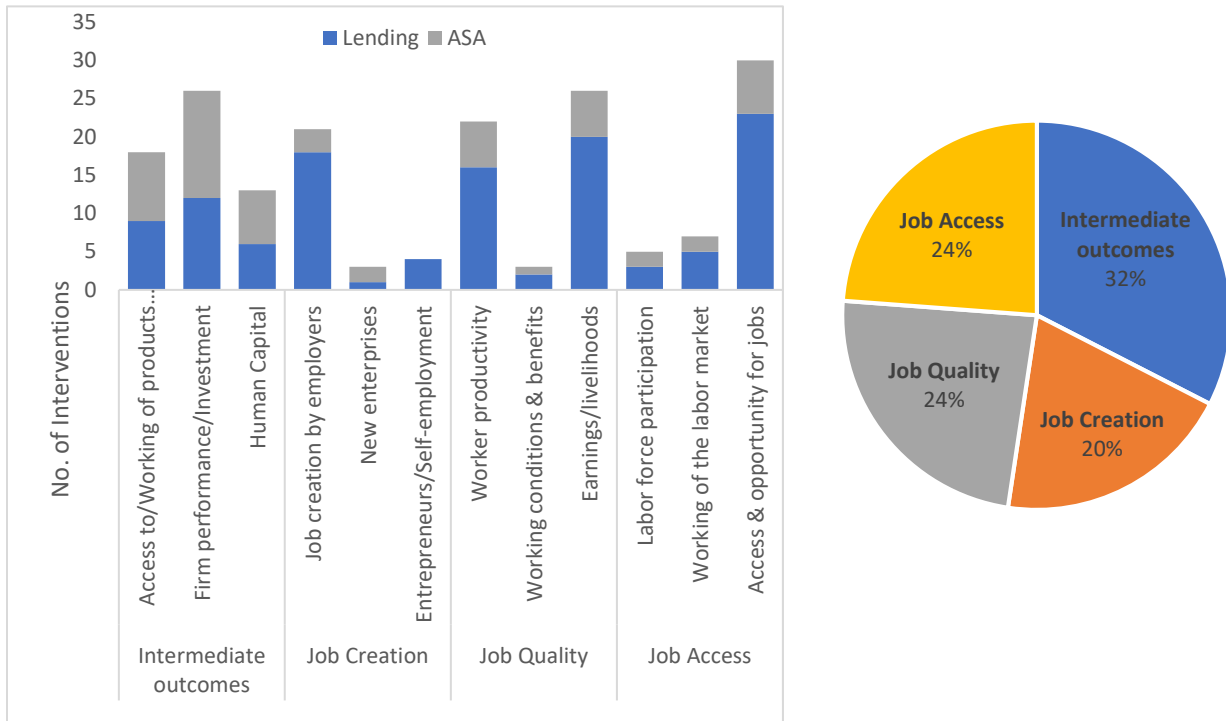
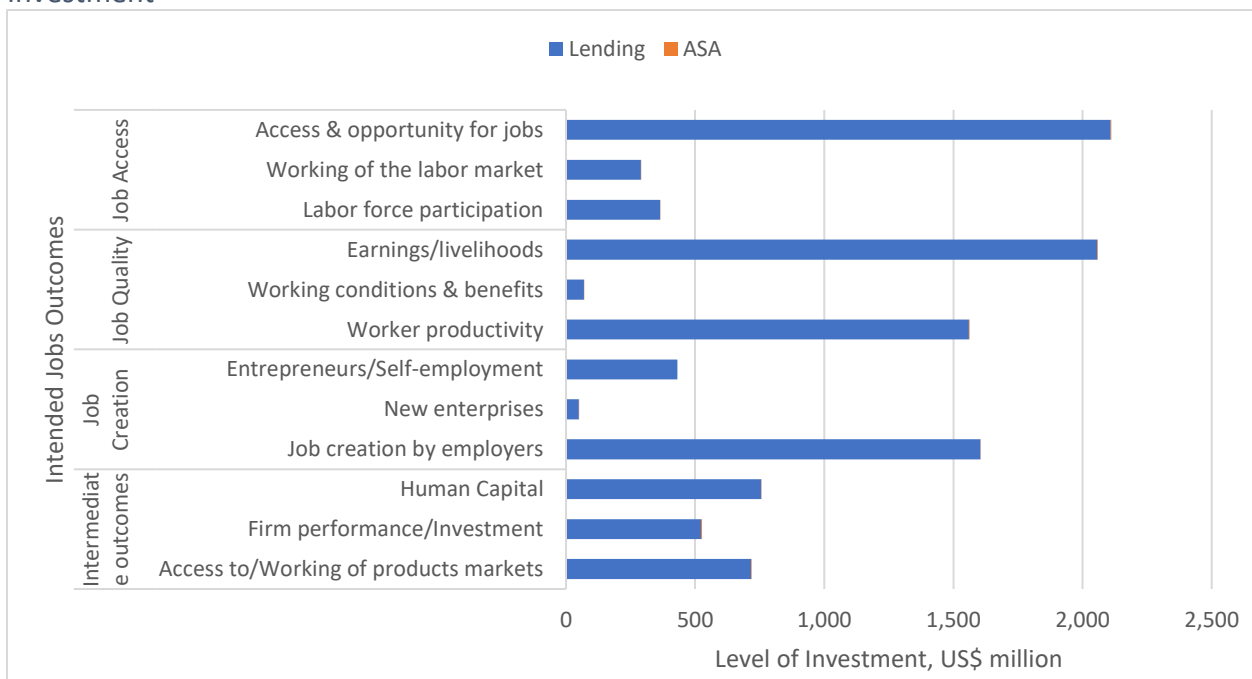


Figure 12: Summary Analysis of Intended Jobs Outcomes – World Bank Portfolio, by Level of Investment



C. Review of the Projects' Ratings

Overall, agriculture, education, spatial and energy interventions are doing well, while infrastructure projects on transport are generally found to be struggling with operational issues. The Implementation Status and Results Reports (ISR) progress ratings of the WB lending portfolio reveal 15 out of the 20 jobs-are rated either 'Satisfactory' (5) or 'Moderately Satisfactory' (10). These include agriculture projects like PACT, AFSP, Poverty Alleviation Fund (PAF) II, NLSIP; EVENT II on education; infrastructure projects on water and energy and extractives; and interventions on spatial development, including EHRP. The three projects rated as 'Unsatisfactory' or 'Moderately Unsatisfactory' include two infrastructure projects on transport, the Project for Strengthening the National Rural Transport Program (SNRTP) and the Nepal-India Regional Trade and Transport Project (NIRTTP), and one on water, the Rural Water Supply and Sanitation Improvement Project.

A review of the project risk ratings for the assessed jobs-relevant active operations, however, does not give an optimistic picture. Only 5 out of the 20 active jobs-relevant projects are rated 'Moderate' (4) or 'Moderately Satisfactory' (1). These are again projects under agriculture, irrigation, education or energy. Of the remaining portfolio, three (all transport projects – NIRTTP, SNRTP and the recently approved Second Bridges Improvement and Maintenance Program) are rated as high risk; the remaining 12 (60% of the active jobs-relevant portfolio) are rated with substantial risk, which include agriculture projects (ASFP, NLSIP and recently approved Food and Nutrition Security Enhancement Project), the Earthquake Housing Reconstruction Project. 60% of the 'high' and 'substantial' risk projects are major infrastructure projects (in energy, water, and transport), which account for a significant contribution to the job creation, earnings and inclusion outcomes through both small and large scale civil works components, and impact on access to markets through transport and electricity connectivity for trade.

When compared to the non-jobs relevant portfolio, which includes 11 projects mostly under education, spatial development, health, and environment interventions, 8 out of the 14¹⁸ are rated as 'Moderately Satisfactory' (2) or 'Satisfactory' (6). With regards to overall risk ratings, all 10 projects, for which risk ratings are available, are listed as risky projects with either 'high' or 'substantial' overall risk rating.

ISR Reports were also reviewed for the assessed jobs-relevant projects to identify operational issues and/or systemic issues, if any, affecting the performance of projects. More than project specific issues, most projects were found to be facing delays and implementation issues owing to political changes following the federal restructuring of the country. Also, most infrastructure projects (transport and energy), were found to be delayed due to the incidence of natural disasters (earthquake, floods, and landslides). Transport projects such as the NIRTTP have been facing severe delays due to frequent landslides in the project areas. Institutional capacity for implementation and sustainability, specifically at the local levels under the new federal structure, is going to be a challenge for most projects, and needs to be given due importance in the technical design of the interventions. The ISRs also noted operational

¹⁸ While the portfolio has 14 non-jobs relevant projects, ISR ratings towards PDO were available only for 8 projects, while overall risk ratings were available for 10 projects.

issues, mostly for infrastructure projects, due to delays in mobilizing contractors/consultants and contractors' default, delaying implementation and progress.

D. Complementarity and Overlaps with Development Partners' Operations

Figures 13, 14, and 15 present a comparison of the concentration of WBG (including ASA activities) and DP investments by intervention type and intended jobs outcomes. Table 1 presents the three-dimensional outputs, by count for the reviewed lending operations of the Bank and the DPs. Key findings from the assessment are summaries in the following paragraphs.

Box 5: Nepal Maximizing Finance for Development DPO

A programmatic DPO is being planned in line with the Nepal CPF priority to implement regulatory reform to remove legal barriers and improve institutional framework for private sector growth with reforms planned around three pillars - (i) improving investment climate for domestic and foreign investors (ii) strengthening the framework for investment financing (iii) promoting macro-financial stability to enable private sector investments.

In terms of significant gaps, both donor and WBG portfolio present gaps in interventions targeting macro and regulatory policies that specifically target jobs outcomes. Donor efforts addressing improvement in public administration such as taxation and fiscal policy is dismal. A nascent yet an upcoming, and fast-growing sector with potential for youth employment- ICT is an untapped sector worth exploring for donor efforts. The review also presents opportunities for interventions, specifically at the macro level covering business regulations, trade/investment and taxation, and labor regulations and benefits that not only spur private investment and growth but are also conducive to expanding possibilities for domestic employment generation in productive sectors. The upcoming DPO (see Box 5 above) is expected to address regulatory constrains to private sector development.

The review shows significant concentration on livelihoods/CDD, skills and training and infrastructure interventions within the donor community. Both the World Bank and Development Partners' prioritize sectoral and regional investments, focused on transport and energy, with large investments. Compared to other donors, the WBG and ADB, both concentrate their funding on road sector development and hydropower projects, which dominate the portfolios with large investment values.

Within labor policies, the portfolio presents less intensity of donor involvement in areas for labor regulations, wage subsidies, and public employment services. In comparison to the WBG portfolio, DP portfolio has a more significant concentration on labor policy interventions, specifically on labor regulations, livelihoods/CDD and skills and trainings projects. Interventions under labor regulations are dominated by those addressing the needs of international migrant workers. Swiss Agency for Development and Cooperation (SDC), International Labor Organization (ILO) and International Organization for Migration (IOM) are three active development partners in the sector.

By value, there is a concentration of donor partners in sectoral and regional and labor policies. Within each of these interventions too there is significant concentration of infrastructure projects (transport and energy) and livelihoods and skills and trainings, respectively. The portfolios, both WBG and DP, were found to be heavily based on income and productivity gains (owing to a significant concentration of civil

construction components within infrastructure projects, as well as agriculture value-chain and livelihoods and income generation support programs), and less so on directly impacting generation of and expansion of domestic jobs. However, considering the shift in government's focus now on raising domestic employment, donor community may also reconsider its priorities and allocations towards a portfolio that will be more effective and directed towards creation of and expansion of new employment opportunities in productive sectors within the economy, including manufacturing and services.

In terms of concentration of intended outcomes, job quality and access are prioritized in each intervention type- sectoral, labor and macro and regulatory interventions in the DP portfolio. There are clear gaps in emphasis on jobs creation through new enterprises and impacts on quality of jobs addressing working conditions and benefits. Interventions that do target working conditions and benefits are largely concerned with migrant workers and their security at work abroad. There is barely any engagement in improving domestic labor conditions and benefits. Again, with regards to jobs access, emphasis is on inclusion of vulnerable groups as project beneficiaries, with major gaps in impacting labor participation and labor market outcomes. Considering the growing need to support and expand labor force participation and opportunities in the formal sector, the above areas may need more attention than they currently do.

In terms of targeted beneficiaries, for both the World Bank as well as DP portfolio, focus is on women and poor households, as seen in Tables 2 and 3. However, the portfolios reach out to these beneficiaries through different types of interventions – the WBG operations' focus is through sectoral and regional investments, while the development partners' focus is through labor policy investments.

Overall, while there are some overlaps in interventions (sectoral and livelihoods interventions), there also seems to be some degree of complementarity between WBG operations and other DPs. For instance, while WBG's operations on trade and policy and business regulations are not significant, the DP portfolio suggests some activities in these sectors. Similarly, WBG operations cover gaps in DP portfolio for interventions in labor policy interventions, specifically those targeting employment services, wage subsidies, and vice versa, where DP activities cover for interventions in public works and labor regulations.

Figure 13: Summary analysis of WBG and DP Jobs-relevant Investments (US\$ M) by Intervention Type

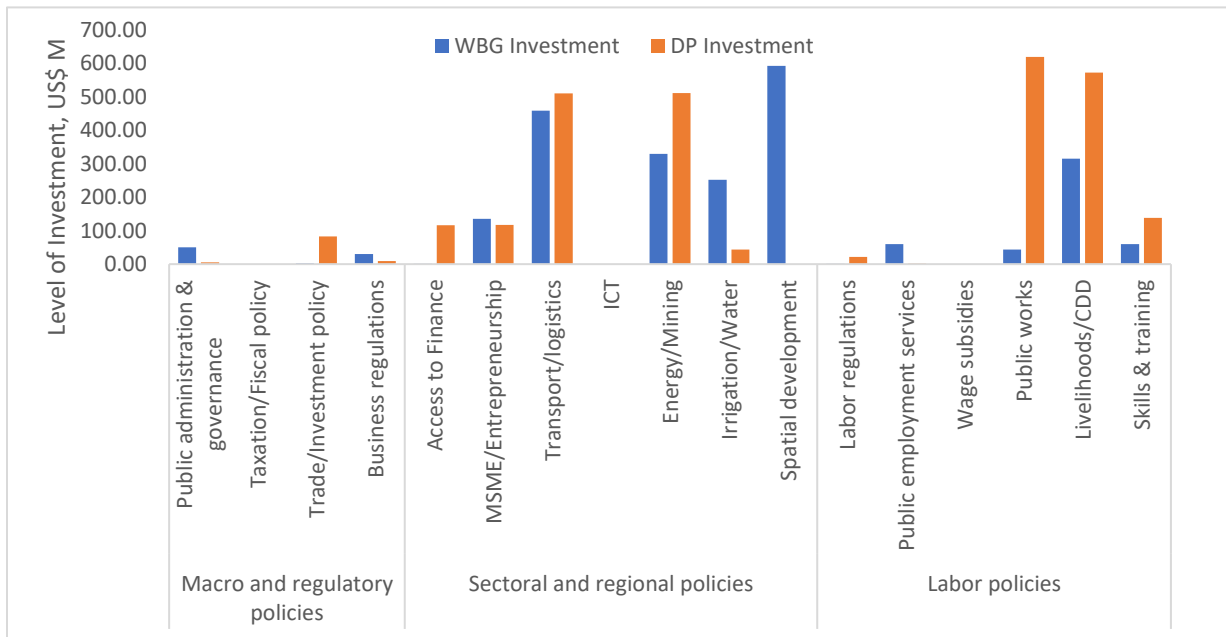


Figure 14: Combined WBG and DP jobs-relevant investments (US\$ M) by intervention type

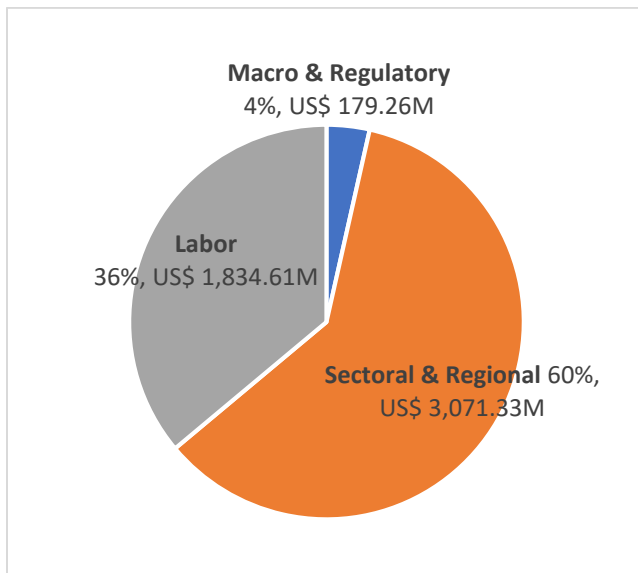


Figure 15: Summary Analysis of WBG and DP Jobs-relevant Portfolio by Intended Jobs Outcomes within Specific Intervention Type

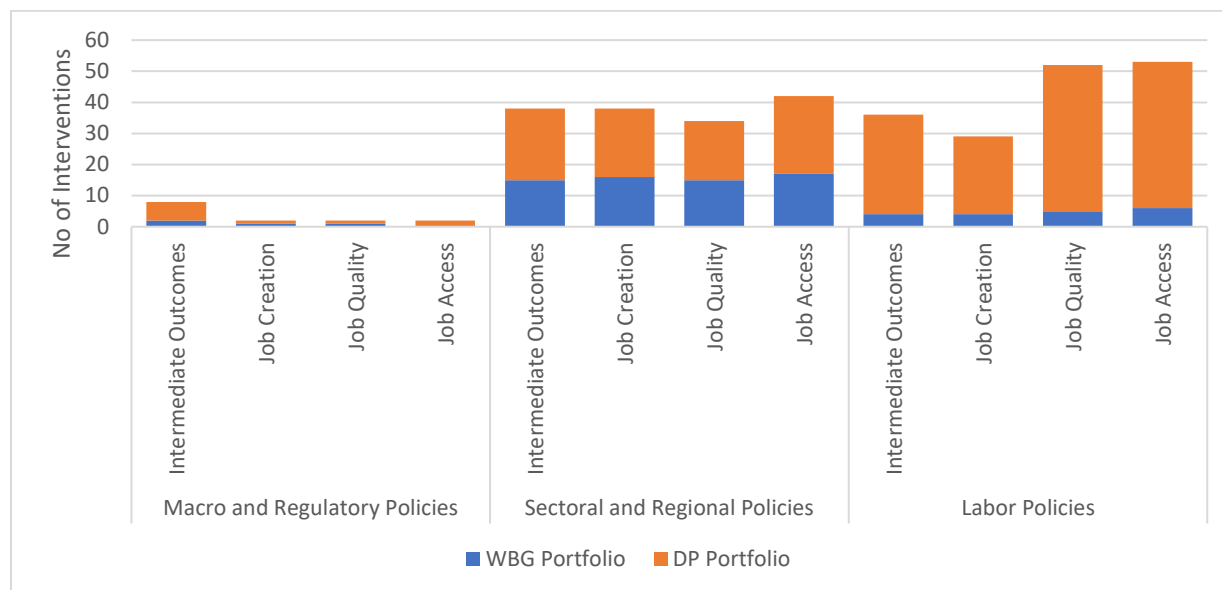


Table 1 : Summary Gap Analysis – Intervention Type and Intended Jobs Outcomes, WB and DP Portfolio Combined

Response to country jobs challenges	Outcomes→	Intermediate Outcomes			Job Creation			Job Quality			Job Access		
	Interventions ↓	Access to / working of product markets	Firm performance/ investment	Human Capital	Job creation (by employers)	New enterprises	Entrepreneurs/ self-employed	Worker productivity	Working conditions and benefits	Earnings/ livelihoods	Labor force participation	Working of labor market	Access and Opportunity for jobs
Macro and regulatory policies	Public administration and governance	*	*	*	*	*	*	*	*	*	*	*	*
	Taxation / Fiscal Policy	*	*	*	*	*	*	*	*	*	*	*	*
	Trade & Investment Policy	*	*	*	*	*	*	*	*	*	*	*	*
	Business regulations	*	*	*	*	*	*	*	*	*	*	*	*
Sectoral and regional policies	Access to Finance	*	*	*	*	*	*	*	*	*	*	*	*
	MSME/ Entrepreneurship	*	*	*	*	*	*	*	*	*	*	*	*
	Transport/ Logistics	*	*	*	*	*	*	*	*	*	*	*	*
	ICT	*	*	*	*	*	*	*	*	*	*	*	*
	Energy/ Mining	*	*	*	*	*	*	*	*	*	*	*	*
	Irrigation/water	*	*	*	*	*	*	*	*	*	*	*	*
	Spatial development	*	*	*	*	*	*	*	*	*	*	*	*
Labor policies	Labor Regulations	*	*	*	*	*	*	*	*	*	*	*	*
	Public employment services	*	*	*	*	*	*	*	*	*	*	*	*
	Wage subsidies	*	*	*	*	*	*	*	*	*	*	*	*
	Public works	*	*	*	*	*	*	*	*	*	*	*	*
	Livelihoods /CDD	*	*	*	*	*	*	*	*	*	*	*	*
	Skills and training	*	*	*	*	*	*	*	*	*	*	*	*

Table 2: Targeted Beneficiaries Across WBG and DP Portfolio

World Bank Portfolio						Development Partners Portfolio					
Intervention type ↓	Target Group					Intervention type ↓	Target Group				
	Youth	Gender	Bottom 40/ Poor	Fragile	Lagging regions		Youth	Gender	Bottom 40/ Poor	Fragile	Lagging regions
Macro and Regulatory Policies	-	-	-	-	-	Macro and Regulatory Policies	-	-	-	-	-
Sectoral and Regional Policies	-	-	-	-	-	Sectoral and Regional Policies	-	-	-	-	-
Labor Policies	-	-	-	-	-	Labor Policies	-	-	-	-	-

Table 3 : Summary Gap Analysis – Target Beneficiaries, WB and DP Portfolio Combined

Intervention type ↓	Target Group				
	Youth	Gender	Bottom 40/ Poor	Fragile	Lagging regions
Macro and Regulatory Policies	-	-	-	-	-
Sectoral and Regional Policies	-	-	-	-	-
Labor Policies	-	-	-	-	-

Note: Greener areas represent areas with more concentration.

E. Review of Quality of Jobs Indicators Used by Projects

Most jobs indicators are found to be well-articulated in their project documents. Jobs quality and access are mostly acknowledged through productivity and income gains resulting from project activities. Intermediate outcomes such as access to markets, and linkages with end markets are recognized through indicators for increased connectivity, improved infrastructural facilities, and reduced transport costs and time. Most agriculture projects, including irrigation and water interventions, such as the NAFSP, PACT, FSENP, NLSIP measure jobs quality outcomes in terms of productivity and income gains. In addition to these indicators, projects like the AFSP, NLSIP, and PAF II acknowledge and quantify employment generation impacts in terms of number of person days of employment/farm jobs created.

While most interventions in the assessment acknowledge their potential jobs impacts, they often refrain from quantifying them. This is true especially for infrastructure projects which track intermediate outcomes such as kilometers of road built, bridges constructed, and beneficiaries using project financed improved infrastructure facilities. An assessment of additional economic opportunities, employment, and income gains, however, are largely left out. For instance, projects like SNRTP and Rural Water Supply and Sanitation Improvement Project do acknowledge creation of additional economic activities, additional employment opportunities, and income effects in project documents but fail to include relevant indicators to measure this impact.

Infrastructure investments such as Nepal-India Electricity Transmission and Trade Project, Kabela-A Hydroelectric Project, Irrigation and Water Resource Management, Nepal-India Regional Trade and Transport Program, and Road Sector Development Project, only measure job creation and quality

(earnings and livelihoods) impacts resulting from civil works while ignoring further economic impacts such as attraction of new businesses and commercial activities in the project areas, which again result in further income gains and jobs impacts. This presents an opportunity for infrastructure and agriculture investments to analyze their full range of economic impacts, including direct, indirect and induced jobs.

Box 6: Accounting for Indirect and Induced Jobs Effects: WBG Kabeli-A Hydro Electric Project

The project estimates creating 600-800 local employment opportunities through construction work which includes skilled, semi-skilled and unskilled jobs. These temporary direct jobs effects are well-flagged in the project economic analysis. However, the project also includes livelihood assistance and community development plans under its Social Action Plan that support improvements in local economic capacities to mitigate social and environmental impacts in the project affected areas, which should lead to significant indirect and induced jobs effects.

For example, the project includes various livelihood support programs, including agricultural extension support services, occupational skills training, women-focused access to finance (incl. micro-credit, village banking and savings), and small business support programs to enhance employability and income-generation. Under a specific provision for indigenous households, the project also offers guaranteed employment of at least one member in livelihood enhancement activities. The project also includes loan assistance program for women-headed and Dalit households to support small income-generating projects. All these activities are likely to have significant jobs outcomes, but they are excluded from the Results Framework and Monitoring and Economic and Financial Analysis.

IV. Recommendations

Based on the analysis presented above, six important recommendations emerge for strengthening the jobs impact of the Bank's program in Nepal, as follows:

Focus more on the jobs effects of macroeconomic and regulatory policies that support private sector development. The CPF highlights the need for regulatory reform to remove legal barriers and improve the institutional framework for private sector growth. The upcoming *Maximizing Finance for Development (MFD) DPO* is an important step forward in this agenda, supporting an ambitious set of policy reforms in key areas of regulatory reform that will plausibly enhance private investment and jobs growth in Nepal. However, private investments can have varied jobs impacts – ranging from labor substitution by capital at one extreme; to major positive impacts on job creation and productivity growth at the other. And the (positive or negative) jobs impacts may affect different groups in different ways, so inclusiveness for poor and disadvantaged communities is also a key consideration. Given the priority given to jobs in the GoN agenda, there should be an explicit focus on analyzing the projects jobs impacts of private sector development programs in Nepal.

Focus more on wage jobs growth. This relates both to ASA work and to DPO lending and Investment Project Lending. The portfolio review identified few interventions focused on promoting private sector wage jobs growth. The Jobs Group's recent *"Pathways to Better Jobs"* report suggests that shifts into (formal and informal) wage jobs is central to economic transformation as countries move from LIC to LMIC status. The policy environment in Nepal is a significant constraint to formal jobs growth and (perhaps as a result) many investment projects supported both by the Bank and Development Partners have focused on supporting informal, own account jobs through "livelihood" style interventions. Recent reforms in the Nepal labor code, which make politically motivated strike activity illegal and simplify procedures for the lay-off of redundant workers in the private sector, will tend to improve the regulatory environment for formal jobs growth. However, in contrast, the recent decision of the GoN to introduce an ambitious social security reform which creates payroll taxes totaling 30% of nominal wages is likely to increase incentives to informality in Nepal. This reform runs in the opposite direction to the policy recommendations of the WDR 2019, which suggests using general taxation and savings instruments that are de-linked from labor contracts to finance the establishment of universal social protection systems. There is an urgent need to promote policy dialogue with the government and with development partners such as the ILO, to explore ways to ameliorate the effect of the social security reform on jobs outcomes. The proposed work program for the second year of the Nepal Jobs Platform includes a study on this issue; and the Jobs Platform team is exploring with the MFD DPO team the possibility of including a line of action related to labor market reforms in future operations.

Focus more on enhancing the jobs growth potential of existing firms. Nepal's MSME interventions focus a lot on start-ups. But Jobs Diagnostics have found that there is a large amount of "churn" in start-ups, while existing firms (especially SMEs) are often a major focus of job creation. Policy and IPL operations are both relevant to releasing SMEs' jobs growth constraints. The upcoming *Accelerating Inclusive Jobs Growth for Youth* project will help to correct this imbalance, since it includes a large component that focusses on supporting SME growth for labor-intensive firms, through a combination of grants and technical assistance.

Focus more on improving the quality of “own account” informal sector jobs through better market linkages and capitalization. Small, independent producers of the type which predominate in the Nepal labor market will normally find it difficult to access capital markets and improve productivity and earnings, unless they insert themselves into the product market on favorable terms. So, value-chain / productive alliance interventions designed to improve quality of jobs in informal sector agriculture by linking them to larger productive and market systems (including downstream processing and packaging) should be a high priority.

Focus more on the reintegration of migrant returnees. The WB portfolio has no projects specifically targeting either migrants or migrant returnees. Donor activities in this area are focused on interventions targeting outward migrants. Few projects target re-integration of return migrants into the domestic economy. However, the available analysis suggests that Nepal might have reached “peak migration” and that migrant flows are shifting gear, with the projected annual inflow of returnees exceeding the outflow of new migrants. This calls for a shift in policy focus, to explore ways to optimize the reinsertion of migrants, taking advantage of their skills and savings of successful migrants to catalyze the creation of better jobs in the domestic economy.

Systematize the metrics in jobs-relevant operations, including direct, indirect and induced jobs. The recently finalized *Jobs M&E Toolkit* and note on the *Economic Analysis of Jobs Investment Projects* will serve as useful points of departure for this process. At present, most jobs-relevant projects in the Nepal portfolio have weak metrics on jobs impacts, often not going beyond vague indications of the number of beneficiaries. Task teams working on the preparation of jobs-relevant projects should be encouraged to make a more careful estimation of the likely jobs impacts, based on the number of jobs and the estimated income growth that they create (“*jobs-linked externalities*”). This will allow the CMU to make well-grounded judgements about the relative merits of different jobs-relevant interventions when deciding how to prioritize the lending portfolio. Many of the jobs-relevant projects supported by the Bank will have their main impact through the *indirect jobs* they create (e.g. upstream jobs for primary producers in agricultural in value chains); or through the *induced jobs* that are made possible by infrastructure projects. Since infrastructure projects are such a large part of the portfolio, systematic analysis of the likely induced jobs effects (those caused through the economic activities made possible due to improved roads and power and water systems) is particularly important for Nepal. Incorporating estimations of those effects – and the corresponding rates of return, given the level of the proposed investment - is crucial to consistency in project selection choices in the portfolio planning process.

V. Annexes

A. Annex 1 – Definitions Used in The Jobs Conceptual Framework

Table 1.1 Definitions of Job Interventions in the JCF

Jobs Intervention	Definition
Macro and regulatory policies	
Public Administration and Governance	<p>Interventions that aim to improve public sector management with a jobs lens (i.e. taking into account the development payoffs from jobs), including public administration reform and civil service reform (payment and terms and conditions); inclusive growth projects that support critical reforms; institutional reform (federal level); privatization of state-owned enterprises; statistical strengthening; public procurement reform; public sector transparency, etc. Government support addressing (a) provision of public goods; (b) transactional services (with private sector / citizens); (c) regulation of the private sector and the government itself.</p> <p>Keywords: Informal Economy; Long-Term Unemployment; Partial Unemployment; Under Employment; Full Employment</p>
Taxation/ Fiscal Policy	<p>Taxation (of property, trade, investment, income), investment subsidies, payroll taxes, as well as taxation in the form of tariffs (customs/trade). Interventions include general governance reforms such as fiscal deficit reduction, public financial management, overall tax reforms, disinvestment etc. and tax wedges (ratio between the amount of taxes paid by an average single worker and the corresponding total labor cost for the employer) and incentives for employment.</p> <p>(Note: While monetary policy and rate of exchange/ interest are important for private sector growth, they are normally not addressed through WBG jobs interventions and therefore are not included.)</p>
Trade/ Investment Policy	<p>Trade interventions include macroeconomic reforms in support of private sector development such as removing overall regulatory barriers, improving competition policies, trade liberalization, trade integration, improving trade competitiveness, developing, and strengthening financial markets etc.</p> <p>Keywords: Industrial Policies; Industrial Relations; Trade and Employment</p> <p>(Note: See “Business regulations” below for specific policies related to investment climate for firms)</p>
Business Regulations	<p>Part of the regulatory environment, interventions aimed at supporting and simplifying transactional services between government and private sector; business regulation for private sector; addressing competitiveness constraints (that are horizontal in nature, including regulations and barriers to trade, investment, innovation, technology, and entrepreneurship policies), certification and standards systems.</p> <p>Interventions to stimulate investment, firm entry, and firm growth, such as business registration/E-services; export development; taxation sector reforms; customs; safety regulations; anti-trust laws; contract law etc., Laws on Access to Property/property rights, patent, business dispute regulations and litigation, etc.</p>
Sectoral and regional policies	
Access to Finance	<p>Interventions aimed at increasing access to finance and related support for firms, individuals, communities, or financial institutions such as micro-credit programs /microfinance, institutional finance, infrastructure finance, secured transactions,</p>

	financial training, warehouse financing etc. May also include Financial services (Credit and leasing, Savings Insurance) or reform of the financial sector/ banking reforms. Often targeted to micro-enterprises, SMEs, entrepreneurs, and/or financial inclusion projects targeting vulnerable groups (e.g. women, youth, and bottom 40% of population).
MSME/ Entrepreneurship	Interventions aimed at fostering firm level entrepreneurship; self-employment and small-scale entrepreneurship; business incubation services; SME upgrading; promoting competitiveness through capacity building and business training; business-development services; promotion of private sector development. May include support for innovation, R&D etc.; microenterprise support including financial literacy and training; networking; enterprise development; support to household enterprises; support for improved linkages to markets, entry into farming or exit into the broader rural economy; small scale industrial solutions such as processing and storage infrastructure.
Transport/ Logistics	Operations targeting access to transportation services, including urban transport & mobility; rural roads and feeder roads; developing corridors; rail and freight; establishing ports and airports; community projects for infrastructure maintenance; village infrastructure to provide greater access to markets and increase mobility, local, national, or regional connectivity.
ICT	Operations targeting investments in Information and communication technology (ICT), such as broadband access, backbone development and internet services; mobile technology or services; increase in density of mobile network penetration. (Note: Not addressing effects on ICT and computerization on jobs.)
Energy/ Mining	Operations aimed at improving energy access or mining (Electric power generation and distribution, integrated utilities; clear energy; oil, gas, and mining, including operations that aim at creating a number of jobs directly in the power/mining sector; provide an infrastructure for growth of other sectors (such as agriculture, manufacturing and retail downstream); and/or operations that aim to enhance productivity in various service sectors such as health, education and ICT (information and communication technology), to support firm growth and productivity.
Irrigation/ Water	Operations providing increased access to irrigation systems aimed at improved agricultural production and farm income, rural investment, and water services; as well as water supply for manufacturing and industry.
Spatial Development	Interventions with specific aim to strengthen spatial connectivity and agglomeration effects for productivity and growth, as well as the creation, improvement, and inclusiveness of jobs. Includes operations for: (i) urban development, (ii) special economic zones (SEZs; i.e. demarcated geographic areas within a country's boundaries where the rules of business are different from those that prevail in the national territory), (iii) programs targeting the bottom 40% of the population and slum dwellers in megacities; (iv) Growth Poles and corridors; (v) secondary cities (urban jurisdictions performing vital governance, logistical and production functions at a sub-national level within a system of cities in a country); and (vi) Value Chains. May also include tourism development; regional integration; competitive cities projects and/or urban upgrade projects; agricultural development and agro-industry. Keywords: Urban Job Creation; Urbanization

	(Note: Will often also relate to other types of interventions, such as infrastructure, business regulations, entrepreneurship)
Labor Policies	
Labor Regulations	Part of the regulatory environment, interventions aimed at improving the functioning of Labor Markets and/or labor institutions; from an employer and employee perspective, including effectiveness of the labor policy and reform and/or labor regulations; activation policies; building statistical capacity (related to labor statistics) or labor market information systems; labor market assessments. Includes employment protection legislation (EPL) dealing with hiring or termination, including unemployment benefits and severance pay and related procedures, strengthening work place standards, worker protection and rights, and unionization. Dissemination of workplace standards and strengthening labor inspection.
Public Employment Services	Interventions providing employment assistance or supporting or establishing entities providing services to match job seekers with job opportunities or to plan and execute labor market policies, including providing information about the labor market; assisting with job search and providing placement services or counseling; administering unemployment insurance benefits; administering a variety of labor programs. Keywords: Employment Agencies; National Employment Service, Public Employment Services; Private Employment Agencies market programs. Services can be provided by government and/or by private employment agencies
Wage Subsidies	Interventions supporting or providing direct transfers to employers or reductions in their taxes or social contributions to encourage them to hire new workers or to keep employees who might otherwise be laid off. Often targeted to particular groups, such as youth. Includes cash transfers; jobs, cash-for-work, cash, and in-kind transfers; conditional or unconditional cash transfers; in-kind social transfer, enhancing matching in the labor market; matching grants; and voucher programs. (WDR 2013) Keywords: Cash Transfer; Income Support; Income Transfers
Public Works	Interventions that support employment programs (short-term) or offer short-term employment for wages or food. Includes projects which create/support a large number of jobs or are labor intensive. Often linked to infrastructure or community development; and targeted to vulnerable groups, e.g. youth, informal sector, reintegration.
Livelihoods/ CDD	Interventions promoting sustainable livelihoods, rural livelihoods, viable alternative livelihoods; economic diversification; developing livelihood incentives (may be related to natural resources); linking enterprises and livelihood alternatives. Includes operations for community employment (urban, rural); community-driven development (CDD); rural livelihoods; fisheries and watershed management; or build linkages to agricultural supply chains. Includes activities of producer organizations such as pricing policy, improvement of agricultural production practices, and local processing and marketing of produce; and/or promoting cooperatives to better link to buyers, access and share market knowledge, and strengthen producers' bargaining.
Skills and Training	Interventions aimed at enhancing capabilities of target beneficiaries to increase employability and employment opportunities, such as vocational training, on the job training and support for the school to work transition. Includes skills development or upgrading for youth, workforce enhancement, subject specific training (e.g. machine operation, financial literacy, accounting) etc. Skills development may be sector-specific

	<p>(to train, hire and retain health care workers; training farmers to improve farm productivity, etc.); and include better access to and use of specific knowledge / technologies.</p> <p>Keywords: Employability; Job Skills/ Job Training; Low-Skilled; Quality Training; Skills Development/ Skills Upgrading; Vocational Skill/ Vocational Training</p>
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Table 1.2 Definitions of Jobs Outcomes in the JCF

Jobs Outcome	Definition
Intermediate Outcomes	
Access to / Working of product market	Outcomes measuring the creation or improvement in access to markets for goods and services (local, domestic, international) by firms, small producers, MSMEs and self-employed. Access can be physical (transportation or logistics for access to markets etc.); virtual (ICT services connecting to markets); or related to trade openness and legal framework (reflecting government's economic policies regarding import substitution and free competition; conditions; tariff and non-tariff measures). Does not refer to land market or labor market. Generally, relates to potentially increasing labor demand.
Firm performance/ Investment	Outcomes measuring firm performance (e.g. sales, profits); productivity (i.e. the amount of output generated with a given amount of inputs); and competitiveness, from macro and micro economic interventions (from business environment to access to productive services and infrastructure assets.). Also covers increased investment by companies. Generally, relates to potentially increasing labor demand, and higher productivity of jobs.
Human Capital	Outcomes measuring the results of capacity building, skills development and training to increase employability. May include cognitive skills, social skills and technical skills. Generally, relates to potentially enhancing labor supply.
Job Creation	
Job creation by employers	Outcomes relating to creation of more direct, indirect, and/or inclusive jobs* for project target beneficiaries, whether short or long term. Keywords: Employment Opportunities; Job Creation; More Jobs; Unemployment; Job Loss *Note: Jobs = “activities that generate income, monetary or in kind, without violating human rights” (WDR 2013)
Job Creation by New Enterprises	Outcomes measuring the creation of new firms, resulting in jobs, often from interventions making it easier for business to register or access finance such as decrease in time taken to register a business, simpler tax regulations, automating business processes etc.
Job Creation by Entrepreneurs/ Self-employed	Outcomes related to increases in entrepreneurs* and self-employed and their businesses, some of which may also recruit workers. Keywords: Non-Farm Enterprises; Non-Labor Income; Self Employed/ Employment *Note: Entrepreneurship: It is the combination of innovative capacity to put new ideas into effect with managerial capacity to increase a firm’s efficiency within the limits of known technology. (WDR 2013)
Job Quality	
Worker Productivity	Outcomes related to labor productivity by improving the ability of beneficiaries to perform better in labor market and improving their productivity levels, often through capacity building.

	Keywords: Better Jobs; Improve Employability; Improved Labor Outcome; Informal(ity); Productivity/ Labor Productivity; Non-Regular Workers
Working conditions and benefits	Outcomes addressing work place concerns of two dimensions: physical working conditions (health and safety at work, basic / core labor standards), and social insurance/ protection (e.g. better workplace laws, wages, social pension, better working hours unemployment insurance, collective bargaining, etc.) Keywords: Hiring and Firing; Improving Working Conditions; Low-Wage; Minimum Wage; Negotiated Wage Rates; Labor Benefits; Overtime Pay; Pension Systems; Protect Workers; Rights At Work; Social Protection/ Social Security; Safety Nets; Collective Bargaining
Earnings/ livelihoods	Outcomes related to improved earnings, income or savings, often through support to self-employment; income support opportunities and income diversification, community driven development (CDD) projects, temporary jobs, etc. Also related to results of ALMPs. Keywords: Good Jobs; Growing Employment; Labor Income; Wage; Real Wages; Fixed-Term Contracts
Job Access	
Labor Force Participation	Outcomes measuring the extent to which the population is economically active, either employed or are actively looking for work. Generally, relates to potentially enhancing labor supply. Keywords: Labor Demand; Labor Supply
Working of Labor Market	Outcomes measuring the functioning of the labor market in balancing suppliers of labor services (workers), the demands of labor services (employers), taking account of wages, employment, and income, often through labor market policies to address market distortions. Also linked to worker mobility, facilitating reallocation of labor to efficient uses, within countries and across borders, for example by reduced transportation costs. Generally, relates to potentially better matching of labor supply and demand.
Access to and Opportunity for Jobs	Outcomes measuring access to employment opportunity, for those lacking opportunity such as people working fewer than 20 hours a week, the unemployed, and those who want to work, and traditionally disadvantaged groups in the labor market (women, youth, bottom 40 percent, people with disabilities, ethnicity, elderly, etc.) and regionally disadvantaged groups (people in fragile and conflicted situations and in lagging regions).

B. Annex 2 – Jobs Relevant Indicators in Nepal CPF

Table 2.1 List of jobs relevant indicators from the CPF

Objective: Improved connectivity in energy and transport	
Indicator: Increase in generation capacity in select areas (excluding import)	Relevance to Jobs: Moderate
Indicator: Number of people provided with new or improved electricity services in targeted areas	Relevance to Jobs: Moderate
Indicator: Increase in percentage of bridges in good and fair condition in targeted routes	Relevance to Jobs: Moderate
Indicator: Increase in population within 2 and 4 hours of walking districts in Terai and hill districts	Relevance to Jobs: Moderate
Objective: Improved financial sector stability and access to financial services	
Indicator: Additional number of targeted SMEs and producer groups in agriculture financed by banks	Relevance to Jobs: High
Objective: Improved regulatory environment for competitiveness	
Indicator: Reduction in number of days for meeting regulatory requirements for import/export and transit activities	Relevance to Jobs: High
Indicator: Increase in tourism spending in targeted destination by 20%	Relevance to Jobs: Moderate
Objective: Improved income opportunities	
Indicator: Number of farmers/producer groups increase in sales of value-added products/income in selected value chains	Relevance to Jobs: High
Indicator: Increase in sales of value-added products/income of targeted producer groups in selected value chains	Relevance to Jobs: High
Indicator: Percent of additional people employed through various income generating activities	Relevance to Jobs: High

C. Annex 3 – List of Projects Reviewed – World Bank Lending Operations

Table 3.1 World Bank Group portfolio – Active projects with jobs relevance

Project ID	Project Name	Lead GP/CCSA	Approval FY	Closing FY	Commitments (US\$M)
P087140	Project for Agriculture Commercialization and Trade (PACT)	Agriculture	2009	2018	59.87
P095977	Road Sector Development Project	Transport & Digital Development	2008	2019	157.48
P099296	NP Irrigation & Water Resources Management Project	Agriculture	2008	2018	113.58
P105860	Poverty Alleviation Fund II	Agriculture	2008	2018	244.97
P115767	Nepal-India Electricity Transmission and Trade Project	Energy & Extractives	2011	2018	138.00
P122406	Kabeli-A Hydro Electric Project	Energy & Extractives	2015	2019	46.00
P128905	Nepal Agriculture and Food Security Project	Agriculture	2013	2018	46.50
P131592	SREP-Supported Extended Biogas Project	Energy & Extractives	2015	2019	7.90
P132750	Project for Strengthening the National Rural Transport Program	Transport & Digital Development	2014	2019	100.00
P143036	NP Rural Water Supply and Sanitation Improvement Project	Water	2014	2020	72.00
P144335	Nepal-India Regional Trade and Transport Project	Transport & Digital Development	2013	2019	99.00
P145359	Nepal: Pro-poor Urban Regeneration Pilot	Social, Urban, Rural and Resilience Global Practice	2014	2018	2.75
P146344	Nepal: Grid Solar and Energy Efficiency	Energy & Extractives	2015	2020	130.00

P155969	Earthquake Housing Reconstruction Project	Social, Urban, Rural and Resilience Global Practice	2015	2023	500.00
P156797	Nepal Livestock Sector Innovation Project	Agriculture	2018	2023	80.00
P158364	NP Modernization of Rani Jamara Kulariya Irrigation Scheme - Phase 2	Water	2018	2023	66.00
P161929	Second Bridges Improvement and Maintenance Program	Transport & Digital Development	2018	2023	133.00
P162067	MDTF Funding for Earthquake Housing Reconstruction Project	Social, Urban, Rural and Resilience Global Practice	2018	2020	10.00
P163018	Enhanced Vocational Education and Training Project II	Education	2018	2022	60.00
P164319	Food and Nutrition Security Enhancement Project	Agriculture	2018		22.70

Table 3.2 World Bank Group portfolio – Pipeline projects with jobs relevance

Project ID	Project Name	Lead GP/CCSA	Approval FY	Commitments (US\$M)
P149239	Nepal: Private Sector-Led Mini-Grid Energy Access Project	Energy & Extractives	2019	7.61
P160696	Accelerating Inclusive Jobs Growth for Youth in Nepal	Social Protection & Labor	2019	150.00
P165130	Nepal Sustainable Tourism Value Creation	Finance, Competitiveness and Innovation	2019	80.00

D. Annex 4 – List of Projects Reviewed – Donor Partners

Table 4.1 Donor partners' active portfolio

Project ID	Project Name	Project Size (US\$M)
ADB	Rural Connectivity Improvement Project	100.00
ADB	Bagmati River Basin Improvement Project	30.23
ADB	Power Transmission and Distribution Efficiency Enhancement Project	150.00
ADB	South Asia Sub Regional Economic Cooperation Roads Improvement Project	186.80
ADB	Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities	15.00
ADB	South Asia Sub Regional Economic Cooperation Power System Expansion Project	191.20
ADB	South Asia Sub Regional Economic Cooperation Road Connectivity Project	75.00
ADB	Skills Development Project	20.00
ADB	Kathmandu Valley Wastewater Management Project	80.00
ADB	Tanahu Hydropower Project	150.00
ADB	Decentralized Rural Infrastructure and Livelihood Project	65.00
ADB	High Mountain Agribusiness and Livelihood Improvement (HIMALI) Project	20.00
ADB	Raising Incomes for Small and Medium Farmers Project	20.10
ADB	Community Irrigation Project	24.40
ADB	Kathmandu Sustainable Urban Transport Project	20.00
ADB	Secondary Towns Integrated Urban Environmental Improvement Project	60.00
ADB	Energy Access and Efficiency Improvement Project	65.00
ADB	Air Transport Capacity Enhancement Project	80.00
ADB	Second Small Towns Water Supply and Sanitation Sector Project	45.10
ADB	Melamchi Water Supply Project AF	120.00

ADB	South Asia Sub Regional Economic Cooperation Customs Reform and Modernization for Trade Facilitation Program	21.00
AUSTRALIAN AID	Micro Enterprise Development Program (MEDEP)	37.00
DANIDA	NRREP: National Rural and Renewable Energy Programme	102.00
DANIDA	UNNATI - Inclusive Growth Programme in Nepal	70.05
DFID	Samarth - Nepal Market Development Programme	26.14
DFID	ANUKULAN - Building Resilience and Adaptation to Climate Extremes and Disasters (BRACED)	5.00
DFID	Rural Access Programme Phase 3	102.23
DFID	Access to Finance for the Poor Programme	51.68
DFID	Post-Earthquake Reconstruction Programme in Nepal- Building Back Better	88.90
DFID	Accelerating Investment and Infrastructure in Nepal	49.63
DFID	Skills for Employment	41.60
DFID	Support for the Economic Empowerment of Women and Girls (Sabalaa Programme)	28.20
DFID/UNDP	Nepal Climate Change Support Programme - Phase II	22.00
EU	EU-Nepal Practical Partnership for Technical Vocational Education and Training reform (TVET- PP)	24.80
EU	Support for Trade and Economic Capacity Building: Trade and Private Sector Development	7.69
GIZ	Energising Development (EnDev) Nepal	9.50
GIZ	Promotion of Access to Financial Services	11.16
GIZ	Inclusive Development of the Economy Programme (INCLUDE) Phase III	8.30
IFAD	Samriddhi - Rural Enterprises and Remittances Project	38.61
IFAD	Adaptation for Smallholders in Hilly Areas Project (ASHA)	25.00
IFAD	Improved Seeds for Farmers Programme	64.77
IFAD	High-Value Agriculture Project in Hill and Mountain Areas	15.30
DFID/ILO	Work in Freedom: Preventing trafficking of women and girls in South Asia and the Middle East	1.80
KOICA/ILO	Labour Market Information and Employment Services (LiFE)	1.80

SDC/ILO	Integrated Programme on Fair Recruitment (FAIR)	3.80
US/ILO	The BRIDGE Project - From Protocol to Practice: A Bridge to Global Action on Forced Labour	0.89
IOM	Enhancing Industry Capacity to Implement Ethical Recruitment Models in Vietnam and Nepal to Protect Migrant Workers in South Korean Businesses (Regional Project)	0.30
IOM	Increasing the Capacity of Migrant Resource Centers (MRCs) in Nepal to foster safe, humane and orderly migration	0.20
KOICA	Capacity building of Technical Instructor in Nepal	5.00
Norwegian Embassy	Women's Economic Empowerment Project	0.77
Norwegian Embassy/ICIMOD	Support to Rural Livelihoods and Climate Change Adaptation in the Himalayas (Himalica)	12.40
SDC	Enhanced Skills for Sustainable and Rewarding Employment (ENSSURE)	11.34
SDC	Nepal Vocational Qualifications Systems (NVQS)	4.20
SDC	SAHAJ - Nepal Agricultural Market Development Programme (NAMDP) - Phase 1	7.50
SDC	Nepal Trail Bridge Sector Wide Approach Programme	11.55
SDC	Nepal Employment Fund - Phase I	6.30
SDC	Nepal Employment Fund - Phase II	6.26
SDC	Motorable Local Roads Bridge Programme - Phase III	11.36
SDC	Local Roads Improvement Programme – II	10.40
SDC	Decentralized Rural Infrastructure and Livelihood Project (DRILP) – Phase III	5.99
SDC	Nepal Agricultural Services Development Programme (NASDP) - Phase 1	10.28
SDC	Small Irrigation programme (SIP)	19.74
SDC	Safer Migration (SaMi) Project	14.36
UNDP	Livelihood Recovery for Peace (LRP) Project	18.00
UNDP	Support to Knowledge and Lifelong Learning Skills Programme (SKILLS)	5.00
UNDP	Cooperatives Market Development Programme	5.00
UNDP	Community Infrastructure and Livelihood Recovery Programme (CILRP)	10.00

UNDP	Rural Energy for Rural Livelihoods (RERL)	7.00
USAID	Feed the Future's Nepal Seed and Fertilizer Project	15.00
USAID	KISAN II	32.70
USAID	Promoting Agriculture, Health, and Alternative Livelihoods (PAHAL)	37.00
USAID	Policy Reform Initiative	5.50
USAID	Sustainable Action for Resilience and Food Security (SABAL)	59.00
USAID	Nepal Hydropower Development Program	9.90
USAID	Hariyo Ban Program - Phase II	18.00
USAID	Baliyo Ghar	10.30
WFP	Restoring food and nutrition security and building resilience in earthquake affected areas and Zero Hunger Community Programme	6.00

E. Annex 5 – List of Activities Reviewed – World Bank Group ASA Activities

Table 5.1 World Bank Group portfolio – Active ASA activities

Task ID	Task Name	Lead GP/Global Themes	Commitment (US\$K)
P154309	DIME Agriculture and Irrigation in Nepal	Other	460.00
P163141	Support to developing an inclusive jobs strategy for Nepal	Jobs	150.00
P165645	Policy Note for Agriculture Finance Strategy in Nepal	Finance, Competitiveness and Innovation	50.00
P166154	Policy Notes for the new Government	Finance, Competitiveness and Innovation	33.27
P167250	Sustainable Tourism Development and Value Creation in Nepal	Environment & Natural Resources	
P168816	FY 19 Nepal Development Updates	Macroeconomics, Trade and Investment	3.79
P169010	Nepal - Human Development PER	Social Protection & Labor	5.20

Table 5.2 World Bank Group portfolio – Closed ASA activities

Task ID	Task Name	Lead GP/Global Themes	Commitment (\$M)
P144022	DIME-GAFSP Nepal Impact Evaluation	Other	0.84
P133169	Nepal Regional Trade Program	Transport & Digital Development	1.86
P133457	Competitive Industries (CI) Diagnostic	Trade & Competitiveness	0.22
P147727	Sources of Growth in Agriculture	Agriculture	0.40
P148953	Nepal Trade Facilitation & Competitiveness	Transport & Digital Development	0.15
P153729	Economic impacts of hydropower development in Nepal	Macroeconomics, Trade and Investment	0.15
P154536	Supporting Nepal's Trade Integration Strategy	Trade & Competitiveness	0.08
P155116	Enhancing Investment Climate in Nepal	Trade & Competitiveness	0.08

P156694	Understanding the labor market decisions and outcomes of Nepal's young adults	Social Protection & Labor	0.18
P158247	Nepal Export Incentive Program	Other	0.02
P160077	Women's Enterprising Initiatives to Ensure Community Food and Nutrition Security in upland Nuwakot	Agriculture	0.05
P160968	Nepal Education Strategy Note	Education	0.05
P162515	Support to Nepal's Trade Policy Reforms	Macroeconomics, Trade and Investment	0.08

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