

NEPAL
Proposed Project for Accelerating Inclusive Jobs Growth for Youth in Nepal
Preparation Consultations
April 17-27, 2018
Aide Memoire

1. During April 17-27, 2018, a Bank Team led by David Ian Walker, Jasmine Rajbhandary and Ashish Narain¹ carried out Preparation Consultations of the proposed *Project for Accelerating Inclusive Jobs Growth for Youth in Nepal*. This Aide Memoire (AM) summarizes the strategic ideas and design of the Project as well as other critical issues discussed during the consultations. The AM was discussed at the wrap-up meeting chaired by the Secretary, Ministry of Labor, Employment and Social Security (MOLESS), Mr. Mahesh Prasad Dahal, and attended by Harishchandra Dhakal, Under Secretary, International Economic Cooperation Coordination Division, Ministry of Finance (MOF) on April 27, 2018. It was agreed during the wrap-up meeting that the final AM will be a public document as per the World Bank's Access to Information Policy.

Proposed Project Scope

2. The Bank team carried out consultations with Government officials, development partners, and NGOs in Kathmandu to validate the project design and implementation arrangements. The concept of the project was approved in the Bank at the end of 2017. A list of persons consulted is included in Annex 1.

3. It was agreed that the proposed Project would be implemented by MOLESS. MOLESS organized a project concept briefing for relevant Joint Secretaries and Under Secretaries in the Ministry. Representatives from other ministries were also invited. There was broad consensus on the overall design. The first component envisages integrated interventions to address market failures associated with labor market entry for youth and underserved groups, and with constraints to private sector labor demand. This will be implemented by a *Jobs Challenge Facility* focusing on geographical locations with the potential to yield greatest impact. Based on discussions with MOF, the language "jobs fund" was changed to "jobs challenge facility". The second component will facilitate full spectrum online and mobile employment support services by building on the Government's Jobs Portal. The third component would support project management and monitoring and evaluation (M&E).

4. It was also agreed that there should be strong synergies between the project components, and that components should build on existing Government initiatives. Further, project results will contribute to the Government of Nepal's (GON's) targets on jobs. Implementation arrangements will be aligned with the new federal structure of government.

Proposed Project Development Objective

5. "To create quality jobs and enhance labor market outcomes for youth".

Proposed Project Components

Component 1: Jobs Challenge Facility

6. Component 1 will support complementary labor demand and supply interventions linked to clearly defined jobs impacts. It will have three sub-components, as follows:

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Component 1a: Jobs Creation Challenge

7. The objective of this sub-component is to generate better jobs by accelerating investment in growth-oriented businesses. It will offer an integrated package of technical and financial assistance to firms with credible expansion plans to create sustainable jobs and enhance earnings for low-income workers. These may be either direct jobs or indirect jobs.

8. The sub-component will implement a business plan competition, which will be designed to correct the market failures and other limitations that constrain jobs growth. These include: regulatory and financial barriers; firms' lack of managerial or technical expertise; and the externalities linked to job creation, which firms' investment decisions do not normally consider. Such jobs-linked externalities include: (a) the income gains of the workers who get the jobs, compared to their economic opportunity cost; and (b) the additional social benefits that arise when groups such as women and youth increase their earnings.

9. The competition will be rolled out in phases, to allow opportunities to learn from experience and fine-tune the design. An initial pipeline of proposals will be developed through outreach, including beneficiaries of programs such as Micro Enterprise Development Program, Project for Agriculture Commercialization and Trade, Poverty Alleviation Fund etc. Prescreened firms will be given technical assistance to prepare business expansion plans, incorporating sufficient information to be eligible to participate in the competition, including evidence of the sustainability of their expansion plans. Winners will then be selected using metrics related to the projected jobs impacts and (inversely) to the amount of financial support needed to make their plan viable. To ensure transparency, the selection committee will include private sector representatives and civil society bodies.

10. The winners will receive financial assistance, together with technical assistance to implement their expansion plan. The financial assistance will help firms close their funding gap, including the leveraging of commercial financing from banks, private equity funds, angel investors, and others. There will be a ceiling on the amount of financial assistance per firm, and on the proportion of total financing needs covered by the project. Financial assistances will disburse in tranches, based on certified implementation progress reports.

11. Winners will also receive technical assistance to help them to implement their plans and to improve their managerial capacity, production efficiency, technology, corporate governance, legal and statutory compliance, financial management, team capability and market linkages, as appropriate. It is envisioned that there will be a basic package of Technical Assistance for all winning firms, which will include supervision of the roll-out of the expansion plan and support in the areas of regulatory compliance (including labor, fiscal and environmental regulations). Additional support, tailored to the firms' specific needs, will be built into the costing of the expansion plans, as appropriate.

Component 1b: Improving Youth Access to Labor Markets

12. The sub-component will address three challenges that youth face in accessing employment opportunities: (a) the lack of reliable information on employment and training opportunities, (b) fragmentation of employment support, and (c) inequities and social barriers that women face from improving their labor market outcomes. It will support the GON to integrate and strengthen the provision of existing services, including employment services, migration resource services, and information about skills training, micro-entrepreneurship and market linkage projects.

13. This sub-component will function as a challenge fund for local governments in the project areas. Interested local governments will be supported to develop proposals that outline their plans for integrating existing services, additional services to be offered, and private sector partnership. The winners of the employment support challenge will receive technical and financial assistance to implement their proposals for integrated employment services. The services to be provided will be split into basic and supplementary packages:

- (a) *Basic package:* The basic package will consist of registration, work-readiness assessment, counseling and referrals to appropriate existing skills trainings or employment opportunities.

Counsellors will also be equipped to provide basic safe migration information. In the early stages of the Project, referrals will be limited to existing skill training and self-employment projects in the area. As implementation progresses, the basic package will also provide linkages to jobs created through Component 1a and online/mobile solutions provided through Component 2, to give beneficiaries access to opportunities beyond their immediate location.

- (b) *Supplementary services.* Local governments participating in the challenge will also select from a menu of supplementary services based on the needs of their locality. If selected, the local government will adapt the design of these services and receive technical support during implementation. Four (not mutually exclusive) supplementary services are currently envisioned:
- *Enhanced labor market intermediation.* Existing intermediation services are fragmented with low coverage, concentration in urban locations, focus on formal employment and low employer engagement. The component will support outreach to the private sector including informal employers and short-term employment opportunities.
 - *Women's employment.* This activity includes services to support women in the labor market, including: psychosocial services, peer support and training to help women to get jobs in high-potential sectors, such as agriculture/agribusiness, home health care and construction.
 - *Services for financial assistance, returnees, and their families.* This includes psychosocial support, soft skills training, linkages to skill certifications and financial literacy training (where they are not available through existing projects such as Safer Migration Project (SAMi)). It will also promote financial planning services to help migrants and their families take advantage of instruments such as commitment savings products and remittance savings accounts. For returnees, the Project will support re-integration into the domestic labor market.
 - *Soft skills training.* Training on soft skills will be offered to equip youths to enhance their skill sets. Possible modules could include effective communication, personal initiative, relationship management and financial literacy.

14. To ensure efficiency and inclusiveness, each application from local governments will be judged on pre-defined criteria. Each local government will be expected to present a credible implementation plan with an appropriate mix of government and private sector roles, which will be judged on its ability to achieve employment service integration, inclusiveness, scale, and sustainability.

Component 1c: Jobs Challenge Facility Administration

15. It is anticipated that the Jobs Challenge Facility will be administered by a service provider contracted by MOLESS. This service provider will be expected to show strong experience in the areas of small and medium enterprise (SME) growth and job creation; and in the management of labor market services and projects for disadvantaged groups, using private providers and designing efficient incentives systems. The service provider will implement the Challenge Competitions for firms and local governments proposed under Components 1a and 1b. The service provider will be also responsible for the design and implementation of the monitoring and evaluation (M&E) system for the Jobs Challenge Facility, which is expected to include rigorous impact evaluation(s) of the sub-components. It will also carry out procurement and supervision for the downstream service provision of technical assistance services required under both component 1a and 1b, which will be delivered through non-government service providers (non-governmental organizations and private sector) using results-based contracting mechanisms. However, the funds for the financial assistances in the Challenge Competitions and for the associated local-level TA services will be administered by MOLESS and will not form part of the service provider's contract.

Component 2: e-Employment Services

16. This component will facilitate online and mobile employment support services. It will address three constraints: (a) lack of reliable information on employment and training services outside of one's own locality; (b) fragmentation and limited scale of existing online services for job seekers; and (c) limited access

to online tools. Public and private online job portals and mobile solutions are nascent and serve a limited number of youth, mainly in major cities. Beyond job portals, there are currently no online platforms that provide aggregated services.

17. The Component will support the development of an integrated Online Jobs Portal (OJP), which will provide services such as: aggregated online job listings, internship/fellowship listings, skills training opportunities, support groups, mentorship, business development services, and safe migration information. The OJP will aggregate information from MOLESS' jobs portal and privately-run jobs sites (e.g. Mero Jobs). Mobile solutions will be developed to facilitate access to the platform. The OJP will be outsourced to private service providers. It will include an outreach campaign to employers and youth, and will offer training to local governments on use of the OJP.

Component 3: Capacity Building, Monitoring and Evaluation and Project Management

18. This component will finance capacity building for implementing agencies, project M&E system and the administration of project implementation.

Proposed Cost and Financing

19. Tentatively, the proposed IDA financing for the Project will be in the range of USD 100 - 150 million. The Project will be supported through Investment Project Financing (IPF).

Proposed Institutional and Implementation Arrangements

20. It was agreed that MOLESS will be the lead implementation agency for the Project. A Project Steering Committee (SC) will be established to provide policy guidance and cross-sectoral coordination. The SC will be chaired by the Secretary of MOLESS, consisting of senior officials from the Ministries of Finance, Industry, Agriculture, Education, Youth, Tourism and other relevant agencies that would include private sector representatives.

21. A Project Implementation Unit (PIU), to be established in MOLESS, will oversee the implementation of the project activities. The PIU, to be led by a Project Director, will manage the day-to-day operation including monitoring and coordination to ensure smooth project implementation. The PIU will procure a private entity to operate the Jobs Challenge Facility as defined in Component 1 and assign component managers to implement the activities under Components 2 and 3. Jobs Challenge Facility will be operated by a service provider and will be supervised by a Board which will include public and private stakeholders. The governance structure will be developed during project preparation.

22. It was agreed that MOLESS would further discuss with other concerned ministries and various levels of government to determine coordination mechanisms at the federal level and collaboration arrangements with state and local governments, which are appropriate to the cross-cutting nature and integrated approach of the proposed project interventions.

Preparation Work

23. MOLESS has agreed to establish a project preparation core team, to be led by a Joint Secretary, with at least one Under Secretary as well as representatives from other ministries. The team will work closely with the World Bank team and MOF.

24. The Bank team will continue to work with MOLESS to work out the details of project components and activities, results framework and M&E, project cost and financing, as well as the institutional and implementation arrangements.

25. The Bank team will also carry out the institutional capacity assessments on fiduciary management and safeguards. The Bank team has agreed with MOLESS to carry out a series of background studies, i.e. firm demand mapping and service providers analysis, market study for service providers, and support the

development of the required documents for project preparation, i.e. safeguards instruments, Project Procurement Strategy for Development (PPSD).

Partnerships

26. The Bank team consulted with International Labor Organization (ILO), Swiss Development Cooperation (SDC) and Helvetas, agencies that support activities of MOLESS directly related to the Project; and with partners in Nepal such as, the Solutions for Youth Employment (S4YE) initiative. The agencies informed the team of possible areas for coordination.

Proposed Timeline

27. The Bank's team discussed the following timeline with MOLESS for enhancing project processing:

Preparation Continuation	July 2018
Appraisal	September 2018
Negotiations	November 2018
Board	January 2019

Table 1: Summary of Agreed Actions

SL	Actions	Responsibility	Agreed timeline
1	Government project preparation team assigned	GON	May 30, 2018
2	TOR for Jobs Challenge Facility design	WB/GON	June 15, 2018
3	Consultations on integration linkages for component I	WB/GON	June 30, 2018
4	Confirmation of implementation arrangements	WB/GON	July 15, 2018
5	Technical design for the components	WB/GON	July 15, 2018
6	Qualitative diagnostics for components	WB	August 30, 2018
7	Draft Environmental and Social Management Framework	GON/WB	August 30, 2018
8	Draft Project Procurement Strategy for Development (PPSD) and procurement plan	GON/WB	August 30, 2018

Annex 1: List of People Met

Ministry of Finance

1. Mr. Kewal Prasad Bhandary, Joint Secretary, IECCD
2. Mr. Harishchandra Dhakal, Under Secretary
3. Ms. Asha Kumari Shah, Section Officer

Ministry of Labor, Employment and Social Security

1. Mr. Mahesh Prasad Dahal, Secretary,
2. Mr. Krishna Gyawali, Joint Secretary
3. Mr. Ram Prasad Ghimire, Joint Secretary
4. Ms. Rama Bhattarai, Under Secretary
5. Mr. Sujan Jojju, Under Secretary
6. Mr. Mohan Adhikari, Under Secretary
7. Mr. Bishu Prasad Kafle, Section Officer
8. Mr. Rajkumari Khatri, Section Officer
9. Mr. Chabi Lal Nepali, Section officer
10. Mr. Rajan Shrestha, Program Officer SAMI Project
11. Mr. Suren Kumar Shrestha, Section Officer
12. Ms. Hira Kumari Yadav, Section Officer

Ministry of Youth and Sports

1. Mr. Gyan Raj Subedi, Under Secretary

Department of Foreign Employment

1. Mr. Bhuwan P. Acharya, Director General
2. Mr. Krishna Hari Neupane, Section Officer

Foreign Employment Promotion Board

1. Mr. Raghu Raj Kafle, Executive Director

Development Partners

1. Mr. Richard Howard, Director, ILO
2. Ms. Nita Neupane, Sr. Programme Officer, ILO
3. Mr. Saurav Ram Joshi, National Project Coordinator, ILO
4. Ms. Niyama Rai, National Project Coordinator, ILO
5. Ms. Barbara Weyermann, Program Manager, SDC
6. Ms. Usha Bhandary, National Program Officer, SDC
7. Ms. Sita Ghimire, Team Leader, SAMI, Helvetas
8. Ms. Jannie Kwok, Director Education, USAID

NGOs, Private Sector & Civil Society

1. Mr. Jeevan Baniya, Assistant Director, Social Science Baha
2. Mr. Pranab Budhathoki, CEO, Local Interventions Group
3. Ms. Carole Jenkins, Director, Social, Environment and Economic Development
4. Mr. Sven Coppens, Country Director, Plan International
5. Mr. Hem Poudyal, Head, Girls Agency and Youth Employment
6. Mr. Sushma Shrestha, Plan International, Emergency and Responsiveness Specialist
7. Ms. Sneha Rajbhandari, PAC Manager, Coca Cola Company