RESULTS-BASED FINANCING IN TECHNICAL AND VOCATIONAL TRAINING

A STEP-BY-STEP IMPLEMENTATION GUIDE

HELVETAS Swiss Intercooperation | NEPAL

EMPLOYMENT FUND investing in nepal's future

TABLE OF CONTENTS

Employment Fund Secretariat

INTRODUCTION

The Employment Fund

The Employment Fund, which's secretariat is operated by HELVETAS Swiss Intercooperation, is a skills development project in Nepal. It receives its financial support through a basket fund, to which the Swiss Agency for Development and Cooperation (SDC), UKAid (Department for International Development DFID) and the World Bank contribute. Its objective is to enable unemployed youth to enter the labour market and to establish small enterprises by providing them skills with the aim of gainful (self-) employment. The Employment Fund took up its operations in 2008 based on an agreement between the Swiss and the Nepalese Governments, and it is steered by a committee comprising representatives of the Government of Nepal and the donor agencies.

An estimated 450,000 young people enter the Nepalese labour market every year, out of which a vast majority are unskilled. Entering gainful employment remains a challenge for many Nepalese youth due to low basic educational levels and limited technical skills, which often do not respond to market needs.

Through private sector training and employment service providers, the Employment Fund finances skills training and employment services for poor and disadvantaged youth. The skills training and employment service providers are selected annually through a competitive procurement process. In order to ensure the labour market orientation, the record of accomplishment concerning previous training outcomes (i.e. gainful employment record of the graduates) and the established business network of each training and employment service providers are assessed. The programme has been carrying out its activities by collaborating with 57 training and employment service providers through a results-based post-financing modality. After the skills training, the training and employment service providers must ensure either wage or self-employment of their graduates above the pre-defined minimum income level of 4,600 Nepalese Rupees (approximately 46 US Dollars) for a minimum of six months (termed "gainful employment"). In 2014, EF split its activities into two separate training components: Path to Prosperity (P2P) continued to operate based on the modalities described above, but with a stronger focus on targeting very poor and marginalized youth. In Micro-enterprising for Job Creation (MEJC), a new component, the goal is to create new employment opportunities through graduates who establish their own enterprises.

The payment to training and employment service providers is made only after the satisfactory delivery of the agreed services and in relation to the number of graduates who are gainfully employed or have created job for others. This outcome-based payment system effectively assists the programme in meeting its main goals: relevant training of good quality and gainful employment. The Employment Fund has national coverage in 66 districts (out of 75) of Nepal.

By the end of 2014, Employment Fund has provided skills training to approximately 100,000 Nepalese youth, out of which 70% were gainfully employed.

Objective of this guide

The Employment Fund applies innovative approaches to ensure the sustainable and gainful employment of its primary stakeholders. The present guide aims at illustrating the interplay and modalities of these working approaches and provides guidelines on how to apply the working modalities in a few simple steps. It further highlights the major lessons learned from six years' experience of working with these approaches.

Figure 1: Components of Employment Fund's project design

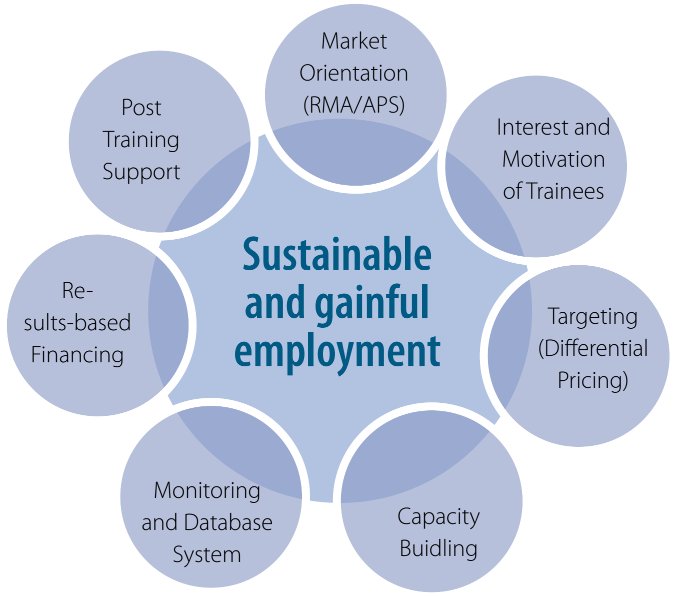


Figure 1 shows the major contributing elements used in the design of the Employment Fund's approach to skills development.

Results-based payment of partners and market-oriented skills training form the core elements of the project. Collaborating training providers are paid for their training and employment services only after achieving the agreed goals. Prior to training conduction, a thorough market assessment is conducted to ensure the relevance and existing demand of respective occupations/skills in the labour market. A rigorous monitoring system is in place to verify whether the defined outputs and outcomes agreed with the training providers are achieved. Based on the training providers' achievements, the outcome price is paid in three instalments to the training providers. Data of all trainees, training achievements and employment details are stored in a web-based database, and are accessible at all times to all staff and partnering training providers across the country.

Further, Employment Fund supports the Council of Technical Education and Vocational Training (CTVET) to formulate new occupational profiles and skill standards, to update its existing curricula, and to endorse new curricula based on market realities.

Through differential pricing, a prioritisation of the target groups and the inclusion of women and disadvantaged groups can be achieved. In order to ensure the satisfactory performance of training providers and a good quality of training provision, the capacities of training providers' staff (management, operational staff and trainers) are continuously built.

A crucial aspect in skills training is to ensure that the prospective trainees take informed decisions about their career choices. Through a career counselling session, the young people are enabled to think about their talents, interests and aptitudes. Based on these reflections and information about the choices they have, they make their decisions on whether or not to join a particular training. Trainees who deliberately choose an occupation based on their interest, and who know what awaits them in their future professional life are motivated to take training and to find a job.

These above mentioned components form the core structure of the Employment Fund. On the subsequent pages, the implementation modalities as well as crucial learning derived of these fundamental processes are presented.

WHAT IS RESULTS-BASED FINANCING?

EF has a pioneer role in applying a results-based financing approach to a skills training and employment project. According to this approach, the output and outcome of the skills training are agreed upon between the EF and its training and employment service providers (T&Es). The training providers are paid the price for their training and employment services only upon achieving these pre-defined outputs and outcomes. For this purpose, a contract is signed between the Employment Fund Secretariat and the training provider stating the conditions of reimbursement of the agreed price for the graduates who attain gainful employment.

Definition

Results-based financing system, applied in a skills training and employment project, is an innovative approach of paying training providers based on the number of graduates who successfully complete training, and who are linked to gainful employment after the training completion.

Results-based financing…

…is efficient

In this results-based post-financing system, payment to training providers is made in three instalments at crucial moments in the project implementation cycle. In order to qualify for the payment, the training provider needs to ensure that its training graduates complete the training successfully and sit for the skills test of the National Skills Testing Board (NSTB) as an intermediate result (output). The outcome is achieved, if the graduates are continuously employed after the skills test in the six months following the training completion, and are earning above a specified income threshold (NPR. 4,600, approximately 46 US Dollars per month). This outcome is termed "gainful employment". Trainees, who enrol but do not complete the training and/or do not sit for the skills test, are not counted for payment. Similarly, graduates with an income below the threshold of NPR. 4,600 are not considered gainfully employed by the Employment Fund. Training providers do not receive their payments in such case.

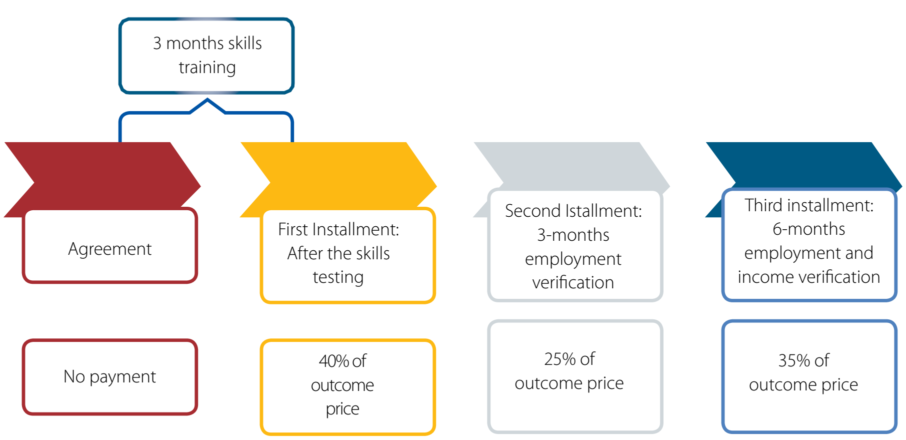
Based on these modalities, training providers are paid more if they ensure the employment of their graduates. As training providers have to pre-finance the skills training, they bear the risk of losing their investment if the graduates are not working after the training.

Gainful employment = 6 months post-training employment or self-employment earning more than 4,600 NPR per months on average.

Employment Fund expects 75% of the trained youth to be in gainful employment after skills training.

In 2014, Employment Fund introduced a second training component named "Micro-enterprising for Job Creation" (MEJC). In that case, the outcome is defined as Job Creation (as opposed to gainful employment). The graduates are provided technical skills and support to establish their own enterprise, and to create jobs for other young people as an outcome. The Employment

Figure 2: Payment of training providers in instalments



Lessons learned from "Job Creation" as an outcome:

Establishing an enterprise in the period of six months after training completion is feasible. The challenge is to employ others in a new enterprise. Typically, young entrepreneurs will try to do much of the work themselves or engage family members. In the case of Employment Fund, the employment of family members is not counted as "job creation", because it does not create employment opportunities for others, and family members are often not paid a salary. After realizing this, Employment Fund started counting the job creation only from the last two months of the six months post-training period to allow the entrepreneurs more time to get settled and organized before hiring additional staff. In 2014, the ratio of jobs created against MEJC graduates who established an enterprise after training was 0.7:1. This exceeded the target of 0.5:1 set by the Employment Fund.

Fund sets its target expecting 80 percent of the trained youth to set-up their own business, and 50 percent of them to create at least one job for others in the period of six months post training.

Figure 2 below illustrates the payment instalments made by the Employment Fund to training providers. The inputs, outputs and outcomes of the trainings are directly linked to the payment system. The payments are released in three instalments based on the total price.

The first instalment of the total price paid is 40 percent, followed by 25 percent as second, and 35 percent as the third. These instalments are released upon verifying achievements at each stage of the implemented activities. The training providers who are not been able to employ 100 percent of their graduates are paid proportionately to the accomplishment made. While 40 percent of the price is paid after the completion of training, the two following instalments (60 percent) are related to the employment and income of the graduates.

…is market-oriented

Before approving training for a given location and occupation, Employment Fund analyses whether there is a demand in the labour market. This has the purpose of ensuring that the outcome of "gainful employment" is achieved. In the absence of demand for a given occupation or business, the placement of graduates in employment/self-employment will be more than challenging. The tool used for this labour market assessment is called Rapid Market Appraisal (RMA) and is conducted by the training providers prior of training. The process of RMA will be elaborated in chapter 4.

…brings about a paradigm shift in project implementation

Shifting from an activities-based approach to a results-based approach means a paradigm shift for many project partners such as training providers. The achievement of the final outcome is of course dependent on the quality of training, placement and counselling efforts of training providers, but it depends to some extent also on the market conditions and on other externalities. The trainees' motivation to work, his or her family circumstances, changes in the labour market, among others, are external factors which are beyond the training providers' control, and for which they carry the risk. Therefore, when Employment Fund introduced its results-based working approach to its partners, it was at first confronted with resistance.

By 2014, however, 57 collaborating training providers demonstrated that results-based financing is a functional concept. Through continuous capacity-building and backstopping support by field staff, the training providers figured out the mechanisms of this payment modality and have become familiar and acceptant of this approach. Based on the successful outcomes of Employment Fund, other projects, most importantly national technical and vocational training and education (TVET) projects implemented by the GoN, have taken on Employment Fund's approach. The collaborations and good practice shared with other projects will be elaborated in chapter 7.

…fosters private-sector engagement

Increasing participation of training providers in post-financed skills development projects can be considered as a positive sign of private sector engagement in making initial investment in skills training, and a strengthened sense of accountability. It is also a reflection of the emerging investment capacity in Nepal. Instead of just working to make profit, training providers are now working in line with the national agenda of linking training with employment.

Strategies for income enhancement to achieve gainful employment:

The income threshold defines whether a graduate is gainfully employed or not. Over the years, the project learned that there was a rather large share of graduates working for a salary below the envisaged NPR. 4,600. Hence, in an effort to enable these graduates to earn more, it introduced Multiskilling.

Multiskilling provides the trainees one additional month of training in another occupation. The second occupation is typically from the same occupational sector as the main trade (e.g. inverter fitting course for electricians, tile fitting for masons, woodcarving for wooden furniture makers, etc.). However, that is not a mandatory condition, because the main goal is to provide the graduates with an additional source of income.

For example, building electrician (main trade) trainees were provided additional Annex Trade training in plumbing. On construction sites in the rural market, this gave the graduates a comparative advantage, because they were able to fulfil two tasks at once. Hence, they found employment opportunities more easily, and their incomes were higher than if they worked in one of the trades only.

Major lessons learned of the Employment Fund regarding Multiskilling are:

- Thorough analysis is needed of which trades match well together. These might not be obvious and might even be of different occupational sectors. In some cases, the additional trade is also a valuable additional skill. Example: Waiter/ waitress, and the making of flower decorations. These occupations are not related, but very profitable. Since these waiters can make flower decorations in their off-time or non-peak hours. This gives them a comparative advantage because they have additional skills other may not have, and employers might be ready to pay them a higher salary.
- Beware of "false friends": Some occupations seem logical to go in hand. However, in Employment Fund's experience, this is not always the case. Dhaka weavers (Dhaka is a traditional Nepalese woven cloth) were provided training in making shoes out of the woven material. However, there was already enough demand for the Dhaka cloth, which meant the Dhaka weavers did not have time to produce shoes as well. The additional skills did not make a difference for these graduates.

…and enhances the sustainability of training providers

Enhancing the capacity of training providers is an important component of Employment Fund. Capacity development is provided regarding the quality of trainings and continuous education of the trainers. On a regular basis, training of trainers (ToT) of different levels is offered, and curricula, occupational skills standards (OSS) as well as occupational profiles (OP) are updated. The training providers working with Employment Fund over the years have been able to build their capacities continuously through this support. This capacity enhancement led them to plan for beyond their collaboration with Employment Fund, and some have already successfully started offering fee-based courses. These efforts, though limited for the time being, indicate sustainability potential of the training providers.

Assuming sustainability of training providers is also valid due to an increased consciousness regarding the need of skills for employment, mainly due to the large-scale employment opportunities in foreign employment. However, training providers might focus largely on trainees who have the adequate capacity to pay for skills training. The great risk of privately funded training courses is that they are exclusive in nature, since poor and socially marginalized youth do not have the financial capacities to participate. To prevent this, the support of government (in line with the TVET policy of Nepal) or donor-funded projects like Employment Fund will still be necessary for inclusive targeting.

Step-by step: How to apply a results-based financing system

For many partnering training providers, results-based financing will be a novelty. Most project partners will not have experienced being paid based on their outcomes. Like in Employment Fund's experience, the government partners might also be sceptical in the beginning of whether a project based on this payment model can really achieve its outcomes. There are important steps in the implementation cycle that should not be missed. Therefore, this step-by-step guide will indicate the most important stages and highlight the lessons learned for each one of them.

Table 1: Results-based financing: step-by-step

NO	STEP	ACTIVITIES	LESSONS LEARNED/RISKS/PRECAUTIONS
1	Define project outcomes and outputs	Discuss and agree with key stakeholders (including training and employment providers) the outputs and outcomes of the intervention planned. Outline the activities that will lead to the achievement of intermediate results (outputs) and ultimate results (outcomes). Harmonize project's outputs and outcomes with overall (country) program's outputs and outcome.	• Since the outputs and outcomes will be linked to payments, they need to be carefully formulated and defined (see indicators below). • Be careful to define achievable outcomes: Attainment of these is not only dependent on the performance of collaborating training providers, but also a range of externalities. • Achieving a project objective of improving labour market outcomes such as employment or earnings is more appropriate and measurable rather than attempting to achieve better "employability" or measure the training completion rate only.
2	Make smart result indicators	Define the indicators based on which the results achievement will be measured. Define and agree on the result measurement process with the Training Providers	• Define SMART indicators (specific, measurable, attributable, realistic, time-related) • Timing: consider pre-, during- and post-training phases when setting indicators. • Think well about how monitoring will be conducted logistically, since it is time-intensive and requires sufficient dedicated human resources. • Think well about the results verification method. Will be done on a population or on a sample basis?
3	Agree on the price that will be paid upon the achievement of the results (output and outcome price).	Define competitive prices for each of the outputs and outcomes. Request training providers to submit their outcome price quote based on market prices. Negotiate prices based on market rates (where available) or based on the estimated cost including a profit margin.	• Information with regards to market price needs to be collected by the project to avoid excessive quote. • The price ceiling needs to be given to the training providers before asking for the quote. • The detail cost items needs to be defined based on which training providers can submit their quote.
4	Discuss the concept with the partners	Conduct information workshops on the payment approach. Allow enough time for questions, have examples ready, be prepared for scepticism.	• Most training providers will not have worked under this project approach. Their concerns revolve mostly around the high financial risk they bear, since they will lose their investment if the trainees are not gainfully employed. • Meet partners, discuss their plans individually • Provide calculated examples in which partners have made a profit upon the achievement of results.

5	Agree on the result indicators with partners	Take time to ensure that the training providers understand the result indicators, and when as well has how they are measured Respond to (critical) questions and queries in order to ensure training providers understand them, and that the project can count on their commitment and	• It is crucial to have the collaborating training providers "on board" the project. They need to be fully aware of the opportunities and risks of this financial model. • Developing relationships at "eye" level with the partners because they might feel that the project is "controlling" them too much because of performance-based indicators and the related rigorous monitoring system.
6	Incorporate indicators in the contracts, and link them to progress and payment instalments	Incorporate result indicators and their measurement system clearly in the contract with the partners. Link the progress with payment instalments for the partners against these defined and agreed indicators. Ensure the contract is fair for both parties Clearly indicate deliverable results Clearly specify the payment mechanism linked to the results Reward better results through higher payment (incentive) and deduct payment for poor result (dis-incentive).	• Orient partners on the conditions of the contract, so that all parties have same level of understanding on the contractual provisions. • Pay for the partners' services in instalments. Link the larger part of the payment with the achievement of the outcome, and the smaller part to outputs • **There is no payment for activities.** • **Do not pre-finance:** the first payment is released only after the achievement of the outputs.
7	Clarify the process of implementation	Define and agree on implementation steps Define and agree on quality indicators that need to be followed during implementation	• Even though it is a results-based payment system, the processes and the quality of their services need to be discussed and agreed with the partners. Neglecting this part endanger the achievement of the desired result.
7	Monitoring data storage	Set up system that allows project staff and training providers to follow and see the progress, intermediate achievements and results transparently.	• Employment Fund used an online database accessible to both partners and project staff. In that way, the data can be accessed anytime, even from remote locations (provided there is internet connection). • Graduates can be tracked and their progress followed through this online system. The data can also be shared with other projects in order to avoid duplication.
8	Periodically review and improve implementation	Have regular review meetings with training providers Hold reflection meetings with project/ monitoring staff.	• Bi-annual meetings were held with training providers. Regular feedback was obtained from them between these meetings through the monitoring staff, and in bilateral meetings. • While piloting innovations, regular feedback workshops were held to see how the pilots were going, and in which areas improvement was needed.
9	Assess performance of training providers	The training providers are assessed based on their performance, collaboration and the success in achieving the defined goals.	• Poor performing training providers are not eligible to work with Employment Fund in the future, in some cases Employment Fund also terminated contracts mid-way due to non-compliance. • The best training providers are rewarded, but even successful partners have to pass the procurement process annually to be able to continue their work with Employment Fund.

Employment Fund draws the following lessons learned from the implementation of results-based financing in Nepal:

- Private sector training providers are willing to improve learning contents and the quality of training to match the labour market demand when tied up with outcomes-based payment.
- Providing multiskilling training (annex trade) is useful to increase incomes of the training graduates, and hence gainful employment outcomes of the project.
- Accomplishment of gainful employment outcome may be adversely affected even though technical standards are met by the training providers. Externalities associated with the labour market, and trainees' changed situations, motivations and interest are the main causes for that. As preventive measures, career counselling, systematic interactions with the trainees, as well as regular and rigorous monitoring at different stages of the training are essential.
- Three main success factors are crucial for the achievement of the gainful employment outcome: (a) trainees' interest to work after acquiring skills, (b) commitment of training providers towards attaining the employment outcome, and (c) training complying with skills demanded by the labour market/employers.
- Collaboration and information flow between the monitoring team and the training provider is crucial. The franchising model, in which a training provider at central level outsources the training provision to other providers at local level, has proven less practical with this regard. The further away the management is from the training context, the more difficult it is to collaborate closely with the training providers, and to get the necessary response from them. Ultimately, this may also negatively affect the achievement of results.

Important points to consider:

- Results-based financing needs a very rigorous monitoring system. Since monitoring findings are relevant for payment, monitoring requires utmost attention and meticulous verification. This is also relevant for allocation of human resources, since a large share of the staff will be involved in monitoring activities.
- The monitoring workload varies throughout the implementation cycle. In peak verification periods, Employment Fund contracts field monitors on a contractual basis. This is an efficient way of conducting monitoring, but it also bears some dangers: Field monitors need to be well informed, kept up to date on changes in the system, and should ideally also be engaged in other project activities. This enhances their knowledge of the project and creates a sense of ownership and accountability for the monitoring work.
- Because monitoring findings are related with payments, monitoring staff may experience a significant amount of pressure from training providers. Monitoring staff must be provided support and coping strategies to deal with this pressure. It is important that monitoring staff is aware of the risk of being pressured to achieve better outcomes.

Results-based financing emphasizes on the value-for-money principle. In contrast to the activities-based payment system, the results- or outcomes-based approach pays partners only after the achievement of results. This requires rigorous verification of output and outcomes, and assessment of the performance of training providers. The monitoring system will be elaborated in chapter 5.

DIFFERENTIAL PRICING AND INCLUSION OF DISADVANTAGED GROUPS

Within the target group of poor and disadvantaged youth, the Employment Fund defined four categories of priority groups. These categories are tied to a differential incentive system. There are four categories, and each category is tied to a different incentive level. The categories and their respective incentives are indicated in the table below:

Table 2: Target group categories and incentives

Category	Target Group	Incentive of the base cost for training
A	Women of the Dalit community; women from groups with special needs, e.g. ex-combatants, IDPs , widows, women with disabilities, HIV/AIDS affected women, formerly bonded labourers, etc.	80%
B	All poor women (apart from category A)	70%
C	Men of the Dalit community; women from groups with special needs, e.g. ex-combatants, IDPs, men with disabilities, HIV/AIDS affected men, formerly bonded labourers etc.	50%
D	All poor men (apart from category C)	40%

It is more profitable for the training providers to train and find employment women than men, since there is a higher incentive on gainful employment of women. This stimulates training providers to create opportunities for women rather than men, even though it is more challenging to include women in training and find jobs for them due to their roles in society (i.e. household and child/elders care responsibilities, low-pay employment, low decision-making power, etc.). The higher incentives for women motivate training providers to be more innovative and to "take the risk" of training women and linking them to employment.

Incentives are embedded in the total price under the outcomes-based financing system. Training providers have to forfeit the second and third instalment (i.e. 60% of outcome price, which includes incentives!) if the graduate is not gainfully employed. This is checked in the monitoring of income and employment status of graduates six months after training.

In addition to the costs for training, Employment Fund allocated additional provisions based on needs. These additional provisions are compensation of transportation to and from the training venue, accommodation facilities in case of trainees who live in remote areas, a start-up tool kit after completion of training, among others. These are reimbursed to training providers immediately after training completion. The overall training costs are reimbursed in the three instalments. The incentive is calculated as the indicated share (40, 50, 70 or 80 percent) of the training costs. The calculation formula for the overall price that Employment Fund pays for gainful employment (i.e. the outcome) is provided in the box below:

The challenge for training providers is to engage category A participants – women from disadvantaged groups – in skills training, and to ensure their employment afterwards. Some training providers therefore specialize in trades that are suitable and considered "acceptable" for women. Others have ventured into unchartered territory and started offering training in trades that are not normally considered typical for women – so-called non-traditional trades (for more information see Employment Fund's publication "How to Increase Access of Women to Employment Opportunities – An Implementation Guide"). Generally, linking very poor youth and youth with special needs (e.g. people with disabilities, single mothers, etc.) to employment through skill straining is difficult for various reasons. Their priority is to earn a living, so staying away from a regular income in favour of skills training of often very challenging for them . Further, job linkage of category A graduates is difficult because due to social discrimination, and lack of confidence of these women. Despite these difficulties, the T&Es have been able to include a large number of Category A trainees (e.g. 12% of the trainees were Dalit, which is equal to their 12% share in the Nepalese population).

Collaboration with outreach partners – groups or organisations working with and advocating for poor and vulnerable groups of society – enabled training providers to enhance the inclusiveness of training events. Through outreach partners, the information about occupations and locations of technical skills training is passed to the right target group and a link with the training providers established. For the purpose of outreach and inclusion of very poor youth purpose, Employment Fund also collaborates with government long-term poverty alleviation initiatives like the Poverty Alleviation Fund (PAF), the Livelihood Recovery and Peace (LRP) Project and Local Governance and Community Development Programme (LGCDP).

Employment Fund draws the following lessons learned from the application of a differential pricing system:

- Employment Fund draws the following lessons learned from the application of a differential pricing system:
- Inclusion of disadvantaged groups in skills training can be enhanced through financial incentives for private-sector training providers.
- The rate of incentive needs to be carefully set (not too high and not too low) considering the indirect costs and profit margin for training providers.
- The private sector training providers with support socially discriminated participants when incentive is tied up with employment outcome.
- Priority target groups of trainees (e.g. Category A) can be informed about and motivated for training through collaboration with specific poverty alleviation projects and advocacy organizations (termed outreach partners).
- The training graduates from vulnerable groups, and specifically women, often lack self-confidence that they will find employment after training. Therefore, transparent sharing of information, counselling and guidance is particularly important for these trainees before and throughout the training process.
- Trainees from disadvantaged groups, and especially women, are less proactive in seeking a job after training for various reasons. Group enterprises are useful to ensure their employment, since they are able to create their own internal support net, join capital and work more flexible hours than if they work alone.

RAPID MARKET APPRAISAL (RMA)

All training providers working with the Employment Fund must conduct a labour market assessment before proposing the occupations and locations of their trainings. For this purpose, they apply the Rapid Market Appraisal (RMA) tool.

RMA is an easy to apply method to understand the skills demanded by the labour market in a given geographical area. It aims to ensure that the skills offered in a given training course are actually are based on demand in the labour market. RMA is an evidence-based groundwork tool that can justify why a selected occupation should be chosen as a training subject, and whether there are markets for occupations that are product-based. It attempts to capture the needs and opportunities prevailing in the labour market. RMA identifies job opportunities available in the enterprises, which are already established or have potential to be established in the future. It ensures the skills training targets the jobs available in the labour market so that job seekers can be connected to employment after completing training. That is why within the Employment Fund, it has contributed towards safeguarding gainful employment outcomes. It is conducted at the pre-proposal stage by the T&Es with the investment of their own resources.

The RMA was applied in 1980 for the development of micro and small enterprises in Africa. It was further replicated in Kenya, Uganda and Tanzania. In Vietnam and Laos, RMA was applied to determine market demand of agricultural products. In Nepal, it was applied by F-Skill to assess the demand of technical training for public and private sectors under the support of Helvetas Swiss Intercooperation in 2005. It has then been replicated by the Employment Fund from 2008 onwards. Since then, the concept has evolved as a tool that can be used for gauging the skills gap in the labour market.

What areas of information are relevant for a rapid market assessment?

- Currently engaged workforce in an occupation in a specified geographical area
- Current demand for workforce in the area, capturing of unfilled vacancies (domestic and international), reasons why there are vacancies
- Number and type of enterprises operating in the area
- Estimated future demand of the workforce in selected occupational area
- Level and quality of skills sought by the employers in an occupation
- Number of unemployed or underemployed youth interested to attend training and work in an occupation
- Area of interest for work of unemployed or underemployed youth
- Suitability of the identified subject of training in relation to the current service delivery capacity and thematic expertise of the T&E
- Potential for the employment of disadvantaged groups (e.g. adolescent girls, physically impaired people, HIV/AIDS affected individuals, etc.)
- Potential to offer training accessible and suitable from women
- Potential to engage women in non-traditional training courses (i.e. occupations, which society typically recognizes as carried out by men)
- Potential to enhance the training providers' capacity in emerging or new occupations/product-based trades

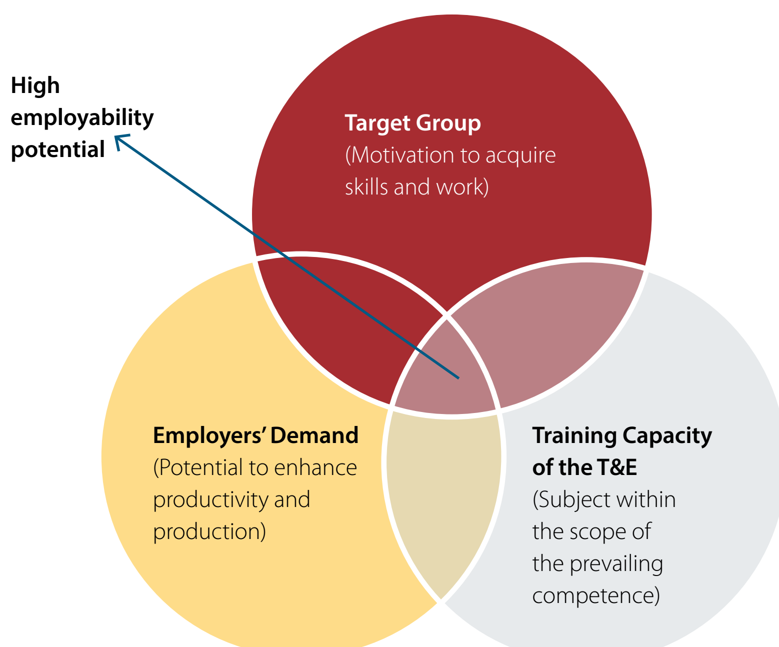
Methodology of RMA

The step-by-step approach of RMA suggests to start from the analysis of the occupation and secondary data on the economy, labour market and demography of the given location. In a second step, primary data is collected from a wide range of stakeholders by applying qualitative research methods: (a) semi-structured interviews, (b) Focus Group Discussion (FGD), and (c) participant observation. The semi-structured Interviews are built around a set of inquiries followed by probe questions. Such questioning technique provides flexibility to widen information coverage. FGD concentrates on the gathering of in-depth information about the subject under investigation. It is based on the interaction with groups stimulating the constructive exchange of opinions and experience. For gender specific targeting of training courses, discussions are held in groups; if applicable separated by sex. The RMA also collects information through direct observation. It helps to scrutinize consistency of collected information. These three techniques provide ample sources of information for triangulation, which finally becomes a basis to draw conclusions on the potential of a certain occupation for skills training and, most importantly, employment in line with the needs of the labour market.

RMA needs to consider the composition of target group that is expected to be employed after graduation. It has to take into account the trainees' age, gender as well as their ethnic traditions, as cross cutting features to determine whether a given trade is suitable for training provision or not. The factors below can be considered as crucial to create a link between training and employment of youth (see figure 3):

(a) Nature of target group interested to be trained and linked to employment,
(b) Skills demanded by the employers, and
(c) Capacity and expertise of the T&E to run the training according to the demand of employers.

Figure 3: Enabling factors to enhance employability of graduates



Learning from failure: two examples

Based on RMAs, training providers attempt to introduce training in new working areas. It can have very inconvenient consequences, however, if "new" occupations or economic sectors are not examined thoroughly regarding employment potential marketability.

For example, one of Employment Fund's training providers saw potential in training youth to manufacture bus and truck bodies. However, it did not consider the import of skilled as well as cheaper labour from India. Hence, there was no employment for the graduates after training. A similar situation occurred in training in gold-coated jewellery making, where cheaper labour as well as cheaper products (jewellery from India) jeopardized the gainful employment of graduates.

In some instances, the prediction of RMA failed because of change in the seasonal demand of employment. An example is Gabion Weaving (cage, cylinder, or box filled with rocks, concrete, or sometimes sand and soil for use in civil engineering, road building, and military applications, and in Nepal especially for erosion and flood protection in the flooding season). The RMA was conducted in the monsoon season when there was high demand for these skills. However the training ended in winter, and there was no demand anymore.

These are just a few examples on how incomplete market appraisals can negatively influence gainful employment. What seems lucrative might fail completely. In order to avoid that, RMA needs to be conducted very thoroughly and carefully.

Employment Fund has further developed the existing RMA handbook in the course of its implementation span. It offers detailed instructions about the process of data collection, analysis and reporting of findings. It also provides tips for building rapport with interviewees and methods of organizing Focus Group Discussions. The manual also highlights the importance of triangulation of qualitative data obtained from different sources before drawing conclusions, and emphasizes analysis of information from the perspective of linking training with employment.

Along with the RMA, Employment Fund also propagates the Area Potential Survey (APS). This is a tool, which enables training providers and other market actors to analyse the potential of a given area to set-up businesses or to produce and/or market a product. Through the APS, information on the market scope, availability of raw materials, availability of skilled human resources, technologies and physical infrastructure, and market potential is captured.

Through Area Potential Survey (APS) the following data can be collected:

- Assess potential for job creation and/or self-employment in a specific geographical location
- Study the demographic indicators, cultural and social values and norms and the demand for products and services in a particular community
- Chances of starting a micro- enterprise in a particular occupation upon training completion
- Identification of products or services demanded by a particular community
- Potentiality of expanding to markets in nearby villages/communities
- Availability of raw materials and skilled human resources in the area
- Availability of physical infrastructure: transportation, electricity, communication, small-scale industries
- Availability of financial institutions and credit linkage facilities
- Prevalence of local entrepreneurs and enterprises nearby (competitors)
- Information about promoters and organizations supportive of enterprises and entrepreneurs
- Potential for product modification and/or adaptation of traditional skills for better marketing/promotion of the products/skills

Lessons learned from the application of RMA in the Employment Fund:

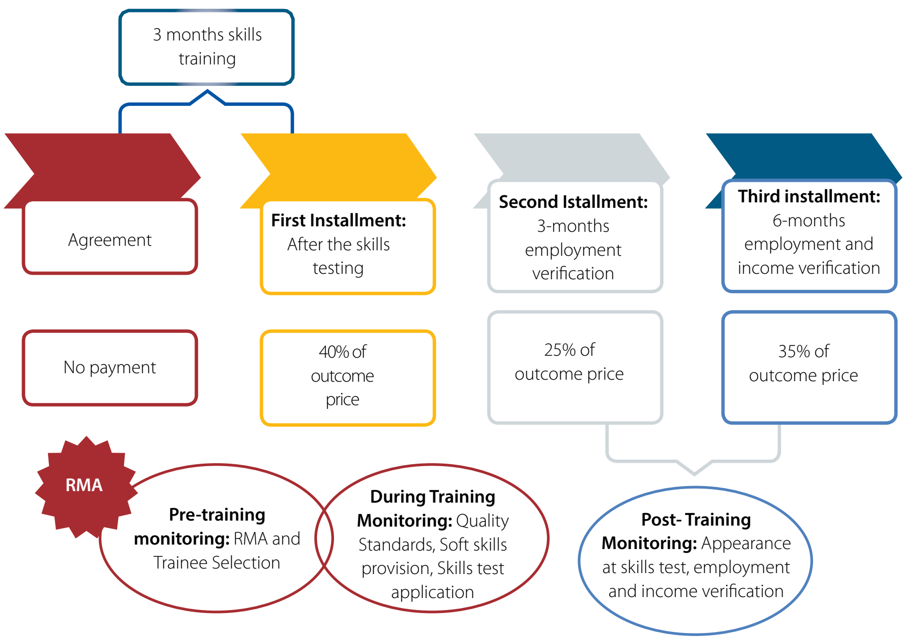
- RMA contributes to the design of informed training and employment plans, and it can contribute towards the achievement of gainful employment outcomes.
- Competition for a trade with limited employment scope stimulates the training providers to seek new training opportunities based on demand of labour market. Through this process, innovation is fostered in the market.
- Employment Fund's experience shows that some training providers have a rather static way of identifying the subject areas for training. They have little interest in innovation, and mainstream trades are mainly offered (e.g. tailoring and beautician training for women; plumbing and masonry for less educated men; and mobile repair for the educated men and women. In order to stimulate some out-of-the-box thinking, EF suggested that all training providers identify at least one new potential working area in their RMA.
- If training providers work in innovative fields, they might not have much experience in those sectors/occupations. Capacity development of trainers and other staff, based on the new trades or sectors that they work in, is crucial.
- There is a risk that RMA procedures are not followed properly by training providers, since they are time consuming and involve human resources with research skills, which training providers might not have. Continuous capacity building and a means for verification and triangulation of RMA findings are therefore important.
- The training providers have a tendency of indicating higher employability potential for the given trades than there actually is. To prevent such exaggeration, and to verify the findings, EF requests training providers to provide a list of key informants consulted along with their contact information. However, in reality, is rarely feasible to recheck the RMA findings individually.
- For the above-mentioned reason, there should be a means of verifying and triangulating the RMA results sent by training providers. In the Employment Fund, this was done based on regional RMA conducted by the project secretariat across several clusters of districts for certain main occupations. However, there is room for improvement, because Employment Fund's "triangulation" RMA did not cover all districts. Some skills trainings are conducted in remote villages that are difficult to access, and the project covers more than 60 (out of 75) districts. These geographical factors made it difficult with the given time and human resources to cover the areas for all training events.

The Employment Fund handbook suggests how RMA and APS can be applied at individual and group levels. It provides suggestions for organized processes for the identification of key informants (e.g. employers, entrepreneurs, job seekers, producers, suppliers, etc.) including the labour market and the process of demand mapping is discussed. Instructions are also provided to tally the training curricula with the market needs it in the design process of new curricula or updating contents of existing curricula.

MONITORING AND DATABASE SYSTEM

The monitoring system adopted by EFS has contributed to measure the project results in systematic manner. Published monitoring guidelines, structured forms and formats, dedicated team, different tiers of monitoring and regular orientations for the training providers on the monitoring system are contributing factors contribute to its efficiency and applicability. There is a balance between process monitoring and result monitoring, based on the outputs and outcomes in the Logical Framework. Strong linkages between monitoring system and outcome based financing motivated training providers to make their own internal monitoring more systematic and effective in order to comply with Employment Fund's requirements (see figure 4 below).

Figure 4: Payment instalments and monitoring system



Moreover, self- monitoring and data entries by T&Es and joint monitoring (EFS and T&Es) for income verification has made the monitoring system transparent, participatory and effective. The objective of the monitoring system is not only to see whether quality trainings are provided or not, but its ultimate objective is to see and measure the gainful employment by ensuring access of trainees to labour market. The major good practices of the monitoring system are described below.

Under a results-based financing system, the monitoring system needs to be…

…Result-oriented:

The monitoring guideline developed by EFS is specific and detailed for the effective and efficient implementation of the project. It enables monitoring staff and training providers to follow each phase/step of the training. The system is linked with the outcome payment system and

> ***"Most monitoring processes start from the database. There are very few aspects, which are not available in the database, and that we have to monitor in field visits. As an example, we know about use of curriculum, profiles of trainers, trainees, training materials and so on, because the training providers upload all of this information. In our field visits we interview the partners on the process, the training methodology and we verify the details submitted online."***
>
> *Employment Fund Monitoring Officer*

has therefore contributed to ensure the procedures and results targeted by the project are achieved.

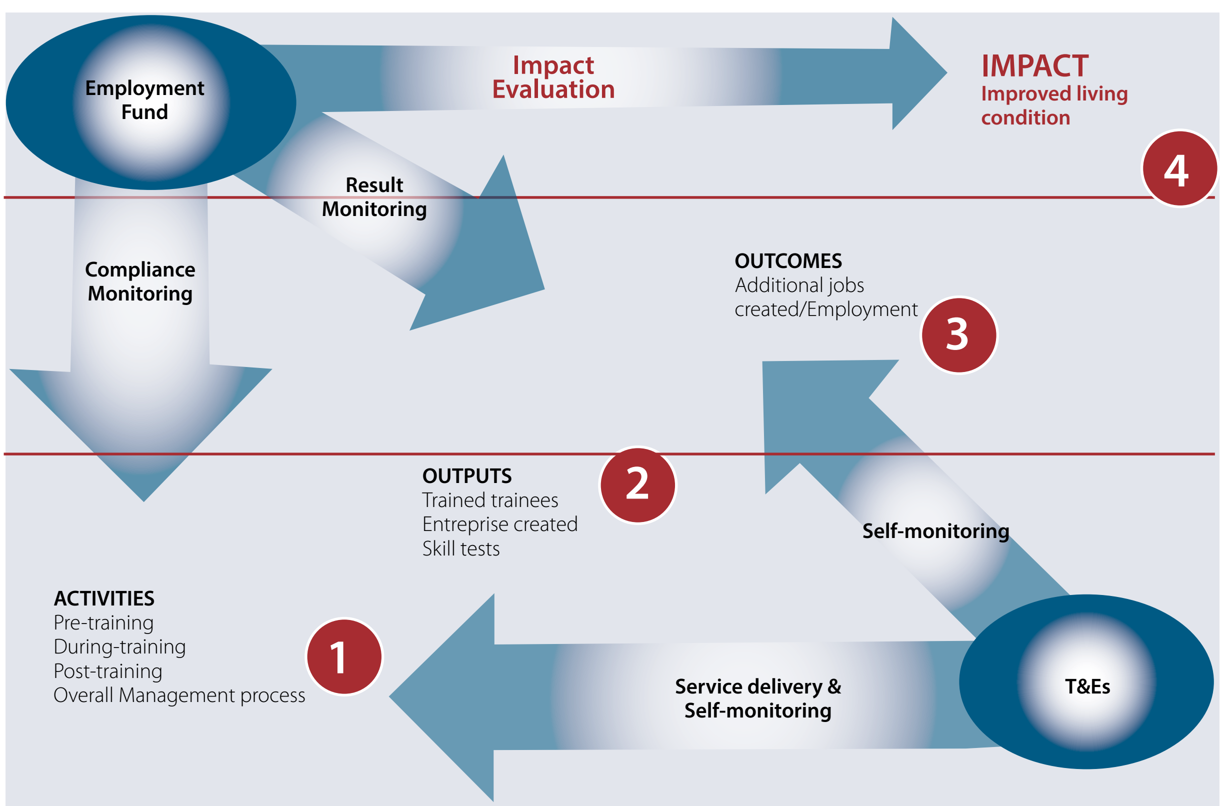
During the pre-training phase, the trainee selection guidelines help training providers to select trainees of the right target group. During training, training providers follow the monitoring guidelines to comply with the quality standards with the objective that the trainees will pass the skill test on the pathway to gainful employment. The guidelines clearly state the quality requirements, as well as the criteria that need to be met to achieve the outcome. To assess the employment and income of graduates, Employment Fund has developed a standard set of questionnaires. The information collected in the verification interviews is uploaded into a database.

…digital, and the findings accessible:

The online database system is an integral part of monitoring system where profiles of the trainees and other data collected in the monitoring process is stored and wherefrom it can be retrieved for outcome measurement and reporting. It is linked with an online system, to which training providers and Employment Fund staff have access. Because it is web-based, all staff can access and modify it even while they are conducting their work in the field. The database also enables Employment Fund to access information from previous years, and documents the continuous progress the project makes.

The training providers upload the findings from their monitoring in the system as a claim. The monitoring team of the project verifies these claims on a sample basis, which are then extrapolated for the results.

Figure 5: Employment Fund's multi-level monitoring system



…efficient:

Thanks to very clear guidelines, the training providers are well informed of which documents and/or information to submit at given moments in the project cycle. This has reduced the necessity of the monitoring staff to be present in training events or meetings very often. The online system has reduced time and resources not only while feeding data into the system, but also enhanced the efficiency during periodic reporting.

Monitoring framework of Employment Fund

Monitoring in the Employment Fund is carried out at different levels and by both the project staff and the training providers' staff (see figure 5).

On the activities level, both parties monitor the compliance with quality standards. On the output and outcome level, the training providers themselves monitor the progress and achievement of results, and feed their information into the database system. The Employment Fund staff verifies these claims on a sample basis. The impact of the project is measured by impact evaluations conducted by independent organizations (the first one was conducted by the World Bank and the second one by the University of Sydney, Australia).

Step-by-step: How to conduct monitoring in a results-based project

Table 3: Step-by-step guide to results-based monitoring

No	Step	Objective	Activities	Application in Employment Fund	Lessons learned/Risks/Precautions
1	Pre-training monitoring	Compliance monitoring	• Monitoring of training announcement • Monitoring of trainee selection • Training venue monitoring	60-75% training events are monitored	• For adequate monitoring in a countrywide project, Employment Fund has 5 6 Regional offices, headed by Regional Monitoring Officers and supported by Field Officers and Field Monitors. • Around 80% of the Employment Fund staff is almost exclusively dedicated to monitoring. • Monitoring of process as well result (especially the compliance with agreed quality standards for training) is a key contribution to the achievement of the anticipated result.
2	During-training monitoring	Compliance monitoring	• Monitoring of the quality of the training (physical facilities, curricula, tools and equipment, consumables, training delivery, qualification of trainers etc.) • On the job training (OJT) monitoring • Skills test process monitoring • Monitoring of employment placement preparation	All the training events are monitored up to three times during their conduction.	
3	Post Training monitoring	Result monitoring	• Employment verification/ establishment of enterprise5 3 months post training. • Employment and income/job creation3 verification after 6 months post training	10-15% stratified rando sample during three months employment verification • 30-40% stratified random sample during 6 months for physical employment and income verification • Extrapolation of findings to the whole population[4].	• The monitoring workload is highest towards the post-training phase. Employment Fund hired additional staff (field monitors) to be able to physically monitor 30-40% of all trainees. • Due to the project cycle, the monitoring needs to be completed at the end of the year. Allow enough time for planning the logistics and for the monitoring to be able to complete the task in time. • One field monitoring staff member visits approximately 1,500 trainees, i.e. 75 training classes annually. • Statistically sound system of generating stratified random sample with an online database software (Dot Net). • Samples are drawn randomly based on five strata: gender, training events, categories A-D, districts, and trades. • Send monitoring staff to different regions for the final verification of the graduates. This enhances independence and fosters cross learning • In contexts that disable physical verification, e.g. graduate working in very remote area, or migrated overseas, Employment Fund gather information from close family members and/or employers. As a last option, it conducts telephonic verification

Challenges and lessons learned of a results-oriented monitoring system

- Strong linkages between monitoring system and outcome based financing motivated training providers to make their own internal monitoring more systematic and effective in order to comply with Employment Fund's requirements
- Including contact information in the database enables a project to keep track of its primary stakeholders during and after training. This makes the monitoring visits and outcome verification quite easy. However, it is very challenging to keep track of graduates a few years after their trainings. They move to other locations, change their mobile numbers, get married, etc. Conducting tracer studies and tracking a certain pre-defined sample of graduates is therefore a challenge. Ways out could be to collect alternate phone numbers, ask for contact numbers of relatives/spouses, set up a system to track them via their citizenship number, etc.
- Monitoring staff may often work under pressure, especially during the outcome verification. Since there is a financial risk for training providers not to receive their payment if the outcome is not achieved, they might try to convince the monitoring staff to "correct" insufficient outcomes. It is important to train monitoring in communication and to have support and coping structures (see box below) in place in case of such instances.
- Related to the last point, there is a risk that monitoring visits in a results-based payment system can be perceived as "inspection" visits. It is important to bear in mind that training providers, as much as they are service providers, are also implementation partners. A facilitative role of the project staff is more desirable than a supervisory role.
- The monitoring and related database system grew over time and with the expansion of Employment Fund. An external database consultant has been working over the years to build and amend the database. It is advisable to engage a professional for this purpose, and to standardize the structure as much as possible.
- To reduce the bias of monitoring officers, Employment Fund has been verifying gainful employment of trainees by swapping monitoring officers from different regions for cross-verification. In practice, this cross-verification model needs to be carefully designed to ensure the monitoring officers understand the realities of the training providers and that they are familiar with the local context (language, culture).

FRAMING RESULTS-BASED FINANCING: ADDITIONAL MEASURES

Results-based financing requires training providers to take responsibility for the employment of their graduates in order not to lose money. This implies that they have to be sure to select the right trainees who are interested in the trade and motivated to work after training. It also means that training providers have to run their institutions efficiently and provide training of good quality. It all comes down to the bottom line of offering the trainees the right skills required in the market so they are employed. If training providers are unorganized, select unmotivated candidates and provide skills training of poor quality, they are likely to be financially unsuccessful. Therefore, Employment Fund frames its results-based approach with additional activities to support the training providers in achieving the outcomes.

Capacity building

Employment Fund has placed a high emphasis on continuously building the capacity of its training providers (management, technical staff and trainers/assistant trainers) and government stakeholders (mainly CTEVT and NSTB) through the following measures:

- Training of trainers (Tot) in occupational instruction skills, technical skills, upgrading of existing skills, soft skills components (life skills, business skills, literacy training, etc.),
- Training of management and other staff of training providers in conduction of RMA, management and leadership, database management, monitoring and evaluation, cooperation with media and communication and outreach skills,
- Training of trainers for the resource organisations providing life skills, business skills, financial literacy, career counselling, functional literacy, etc.
- Training of trainers of training providers on the above soft skills components, so they can provide the soft skills trainings themselves.
- Feeding information of training providers on updated curricula content (i.e. new skills required in the labour market) into the public system: Support of the government in keeping curricula up to date, developing new curricula, endorsing occupational skills standards for newly identified occupations, writing of a guideline for apprenticeships, and technical assistance for knowledge transfer.

Considering the interest and motivation of trainees

Young people's choices to work in a given occupation depend, among others, on their attitudes, societal image and attributions made in relation to the work, their economic situation, availability of jobs and salary prospects, culturally rooted beliefs, as well as their geographical location.

These factors may be prioritised by the job seekers depending on their personal and economic situation. However, their motivation to work is also dependent on the information they have about a certain sector or occupation.

Employment Fund learned that there are many wrong societal perceptions about trades. As an example, the hospitality sector is often perceived to offer comfortable, respectable and even glamorous working conditions (e.g. luxury hotels, elegant work clothing, educated and rich customers, indoors work sheltered from dirt and the sun, etc.). However, many young people are disappointed by the work they find in the hospitality sector: the working hours are irregular (late nights, weekends, early mornings), salaries are low and often staff are paid in board and lodging as part of their salary, there are many tasks that involve heavy labour and long hours on their feet, etc.).

If youth are given the possibility to inform themselves about the positive and negative sides of a certain trade, and if they can reflect on their potentials and talents, interests and aptitudes, disappointment during and after training can largely be avoided. If the young women and men know "what they are getting themselves into', they are also more aware of possible risks. This can reduce the number of training drop-outs in a project and the unemployment of young people who feel that they have chosen the wrong job.

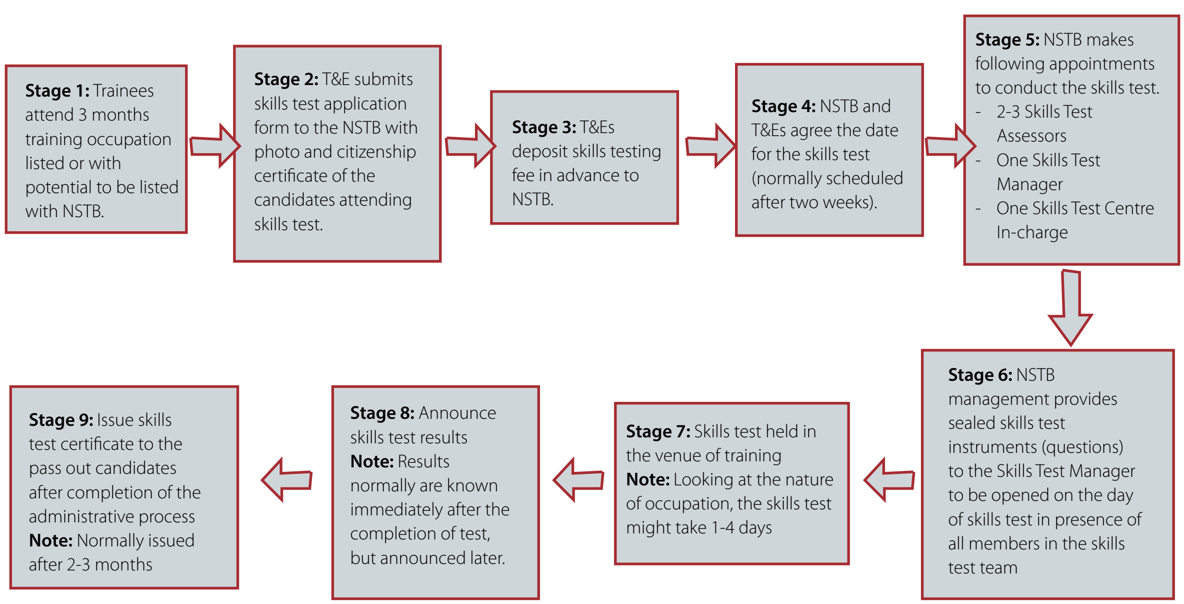
Employment Fund has been offering career counselling to its primary stakeholders prior to training. The approach was developed from a group counselling session prior to the training to a career fair and counselling approach.

Skills testing

Under Employment Fund, training graduates are supported to sit for the national skills test to receive a formal recognition of the acquired skills. The skills test is considered one of the core instruments to stimulate training providers to maintain training quality and therewith enhancing the chances for the graduates to be employed. Employment Fund made it mandatory for collaborating T&Es to send all graduates for the National Skills Testing Board (NSTB) skills test.

National skill testing was introduced to Nepal in 1983 through the establishment of an autonomous body called Skill Testing Authority (STA). It established a system of occupational classifications, design of skills standard and skills test certification. During the establishment of the CTEVT in 1989, the STA was integrated and changed its name to NSTB . It is governed by a board

Figure 6: Stages of the skills certification process



with equal representation of 16 members from the public and private sector (50:50 ratio). The Government is planning to develop NSTB's status towards a National Vocational Qualification Authority (NVQA).

Once the graduate submits the application form, the responsibility of carrying out the test rests with NSTB. The technical parameters applied in the test are all based on the NSTB OSS. Prior to the testing date, the training provider informs Employment Fund about the date and location of the test for the field staff to be able to plan their monitoring visit. This arrangement has enabled EF monitor 80 percent of all skills tests. During the test, Employment Fund staff is present as an observer and shares its feedback with NSTB after the completion of the test. NSTB is often responsive to such suggestions, which adds value to the quality of skills (e.g. Employment Fund suggested to test the skills of carpenters with electric working tools to be consistent with the demand of the labour market).

Employment Fund has also offered feedback in cases of manipulative actions in the skills testing process. The collaboration was based on a Memorandum of Understanding (MoU), and presently on a Letter of Exchange, to fix the annual skills testing targets and per capita testing fees for the graduates supported by Employment Fund.

"S4RE staff and project field facilitators applied the knowledge gained during the training on RMA conducted by colleagues from Helvetas Nepal. They are now able to facilitate youth groups for better market assessment, which results in better self-employment and employment opportunities for youth. S4RE staff believes that is a fast and easy tool and easily adaptable to different local contexts."

Luan Hoti, *Project Manager S4RE, HELVETAS Swiss Intercooperation Kosovo*

Lessons learned from skills testing through NSTB

- Both NSTB and Employment Fund confirm that their collaboration has enhanced the technical quality of skills training and skills testing. This shows that a project's committed medium-term engagement through collaboration and feedback can contribute to the improvement of the quality of skills tests.
- Linking skills training with the national skills testing system gave recognition to the technical training conducted by private training providers, and a good recognition to the graduates who have a national skills test certificate.
- The skills tests need to be conducted immediately after the completion of the training (zero tolerance for delays). The test is best conducted at the training location involving local assessors who are experts in the occupation of the training.
- Conducting the test administration (filling in of test application forms, setting dates, questions, publishing the results, providing certificates, etc.) locally this is an advantage for the participants and training providers.
- Market recognition of the skills test certificate is essential. This can be fostered by engaging employers at various stages of the training and employment program. Involvement of employer representatives in the skills test is crucial to the market recognition of the skills test.

SHARING OF GOOD PRACTICE

The innovative design and working approaches of Employment Fund attracted attention at national and international level. The interest of stakeholder working in the TVET sector in Employment Fund's modalities created opportunities to share these within Nepal and in other countries.

Nationally, Employment Fund took a strong role to coordinate activities within the Nepalese TVET sector. For this purpose, it established the Round Table of TVET projects (RoTaTe). In regular meetings organized in on a revolving basis by all members, projects and organisations active in the sector discussed their approaches learned about each other's objectives and working modalities. RoTaTe evolved into "National TVET Forum", and Employment Fund passed its coordinator role to CTEVT to ensure this Community of Practice (CoP) stays active without Employment Fund's presence to facilitate it.

The main achievement of the Employment Fund in contributing towards the increased capacity of the Government of Nepal (GoN) is the replication of many working approaches in the Enhanced Vocational Education and Training (EVENT) project implemented by the Ministry of Education (MoE). EVENT has taken up most working approaches including results-based financing, procurement practices, targeting of poor and disadvantaged youth through differential pricing and, among others, RMA. It is now in the process to create a Women's Window based on Employment Fund's good practice for better inclusion of girls and women in skill straining and employment.

The RMA tool, which was originally used for general market assessments, was adapted by HELVETAS Swiss Intercooperation Nepal to be used in the labour market. Along with the results-based financing, the approach attracted the attention of other projects, government agencies and implementers nationally and internationally. Employment Fund has been providing training to these stakeholders on how to apply the RMA/APS tools to assess the labour market and market potential for self-employment.

Training was provided to Skills for Rural Employment (S4RE) project, implemented by HELVETAS Swiss Intercooperation, which aims to reduce poverty in rural Kosovo through targeted training and skills development applying the Making Market work for the Poor (M4P) approach. Further, Employment Fund's experts shared its learning and technical knowledge with the Bhutanese Ministry of Labour and Human Resources in several training sessions. The plan is to develop Master Trainers in RMA in Bhutan, so the capacity of the government will be built and the competencies of training providers and other relevant stakeholders can be built in the country.

Further, technical assistance was provided by Employment Fund regarding different working modalities (RMA, procurement, results-based financing, among others) to the Second Vocational Education and Skills Development Project in Kyrgyzstan.

"The EF is fully supporting the EVENT [to implement] short-term trainings. The Project Secretariat would like to extent its sincere gratitude to the EF for providing its monitoring staff and for building the monitoring system to make the EVENT's program successful."

Ima Narayan Shrestha
Deputy Project Director
EVENT Project

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