

Document: EB 2007/92/R.40  
Agenda: 13(c)  
Date: 30 October 2007  
Distribution: Public  
Original: English

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Enabling poor rural people  
to overcome poverty

## **President's report**

### **Country-specific grant to the International Labour Organization for the**

### **Skills Enhancement for Employment Project in Nepal**

Executive Board — Ninety-second Session  
Rome, 11-13 December 2007

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For: **Approval**

## **Note to Executive Board Directors**

This document is submitted for approval by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session:

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## **Abbreviations and acronyms**

CBOs	community-based organizations
ILO	International Labour Organization
TTPs	technical training providers

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for the proposed country-specific grant to the International Labour Organization for the Skills Enhancement for Employment Project in Nepal, as contained in page 2, paragraph 7.



## Country-specific grant to the International Labour Organization for the Skills Enhancement for Employment Project in Nepal

I submit the following report and recommendation on a proposed country-specific grant to the International Labour Organization in the amount of US\$870,000.

### Part I – Introduction

1. This report recommends the provision of IFAD support to the proposed project of the International Labour Organization (ILO).
2. The document of the grant for approval by the Executive Board is contained in the annex to this report: Skills Enhancement for Employment Project in Nepal.
3. The objectives and content of the programme are in line with the evolving strategic objectives of IFAD and the policy and criteria of IFAD's grant programme.
4. The overarching strategic objectives that drive the IFAD Policy for Grant Financing, which was approved by the Executive Board in December 2003, are:
  - (a) Promoting pro-poor research on innovative approaches and technological options to enhance field-level impact; and/or
  - (b) Building pro-poor capacities of partner institutions, including community-based organizations and NGOs.
5. Deriving from these objectives and those of the IFAD Strategic Framework 2007-2010, the specific aims of IFAD's grant support relate to: (a) the Fund's target groups and their household food-security strategies, with particular reference to groups in remote and marginalized agroecological areas; (b) technologies that build on traditional local/indigenous knowledge systems, are gender-responsive, and enhance and diversify the productive potential of resource-poor farming systems by improving on- and off-farm productivity and by addressing production bottlenecks; (c) access to productive assets (land and water, a broad range of rural financial services, labour and technology); (d) the sustainable and productive management of natural resources, including sustainable utilization and conservation of such resources; (e) a policy framework at both the local and the national level that provides the rural poor with a conducive incentive structure to improve their productivity and reduce their dependence on transfers; (f) access to transparent and competitive input/product markets and making these work for the poor primary producers involved in remunerative small and medium-sized enterprises and value chains; and (g) an institutional framework within which institutions – formal and informal, public- and private-sector, local and national alike – can provide services to the economically vulnerable, according to their comparative advantage. Within this framework, IFAD's grant financing supports commodity-based approaches for self-targeting among the rural poor. Finally, IFAD's grant programme fosters the establishment and strengthening of networks for pro-poor knowledge generation and exchange, which in turn enhances the Fund's own capacity to establish long-term strategic linkages with its development partners and to multiply the effect of its grant-financed research and capacity-building programmes.
6. The grant proposed in this document responds to the foregoing strategic objectives, by creating opportunities for rural, off-farm employment and enterprise development.

## Part II – Recommendation

7. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the Skills Enhancement for Employment Project in Nepal, shall make a grant not exceeding eight hundred and seventy thousand United States dollars (US\$870,000) to the International Labour Organization for a two-year project upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Lennart Båge  
President



## Skills Enhancement for Employment Project in Nepal

### I. Background

1. Nepal is one of the poorest countries in the world, with a population of 24 million and a GDP per capita of US\$312 (2005). In Nepal more than a decade of conflict has cost over 14,000 lives and caused up to 600,000 internal displacements. Additionally, more than two million people are believed to have fled to India. While Nepal still remains a rural and agrarian economy, with more than 84 per cent of the population residing in rural areas and about 70 per cent engaged in agriculture, the contribution of agriculture to GDP has been consistently decreasing over the last two decades (40 per cent in 2005).
2. The size of Nepal's labour force is around 12 million (2004), with an annual growth rate of 2.3 per cent. In a country where underemployment stands at more than 40 per cent, the employment opportunities available are very limited and about 90 per cent of the labour force are employed in the informal sector. With the economy unable to recover, many young Nepalese seek employment abroad. The remittance flow has become an important source of national income. However, lack of proper training for the departing employees and the mismanagement of the employment process have prevented the development of the great income potential of the labour force.
3. The recent success of the "Second People's Movement" has brought the conflict in Nepal to an end. The main cause of the last ten years of conflict was the denial of economic activity – even the most basic form of sustainable livelihood – to a substantial portion of the population. Increasing gaps between the potential labour force and available employment opportunities in the public and private sectors have added to the frustration felt by many young people, a large proportion of whom are out-of-school youth facing difficulties caused by various socio-economic factors. Since poverty is one of the root causes of social unrest, fostering the employability of the needy and providing employment for them are of prime importance.
4. Over the last 10 years, underemployment among the country's labour force has increased from 32 per cent to 42 per cent. The country's 7 million young people (15-29 years of age) constitute a large proportion of this labour force. With the advent of peace in April 2006, it has been estimated that up to 35,000 Maoist combatants now need to be integrated into civilian life. Finding and creating jobs for the combatants in a poverty-stricken society in the aftermath of conflict is among the most immediate challenges in Nepal.

### II. Rationale and relevance to IFAD

5. The proposed project is aimed at contributing to the efforts to reintegrate conflict-affected youth, including ex-combatants, into their communities in the far western districts of Nepal by providing training and skill enhancement in subsectors where opportunities for future employment exist. The project will take into account employment opportunities abroad, especially in India, and help those intending to leave by improving their skill level, thus increasing their possibilities for obtaining better employment and incomes.
6. The project is aligned with the recent results-based country strategic opportunities programme for Nepal, which proposed the formulation of a skill enhancement project in early 2007 to address skill development and employment needs among conflict-affected people (including former combatants) in remote areas of Nepal. The proposed project seeks to contribute to post-conflict reconciliation and reconstruction efforts and focuses on the youth living in hill and mountain areas where unemployment is one of the main reasons for violence and insurgency.

7. The project is aligned with the IFAD Policy on Crisis Prevention and Recovery, which specifies IFAD's mandate and role in addressing the transitional requirements of relief and development in post-conflict countries, and underlines the need for interventions that build community resilience, help restore people's livelihoods and dignity, and de-escalate violence. In the transition period, the policy recommends provision of livelihood training and employment schemes within the context of reintegration programmes and in collaboration with other United Nations organizations such as the International Labour Organization (ILO).
8. The proposed project supports the capacity-building objectives of IFAD's grant policy by strengthening capacity and collaboration within the three sectors involved in the efforts to raise the skill level of the labour force. These include formal training institutions and local government, civil society (communities/NGOs/community-based organizations [CBOs]) and the market (local industries, commercial organizations).

### III. The proposed project

9. The overall goal of the project is to increase the livelihood options of youth in the far western districts through improved employment opportunities.
10. The key objective is the employment of the trained youth – within six months of training completion – in the target districts, elsewhere in the country or abroad. The target group will be youth affected by conflict – for example victims or ex-combatants – who are internally displaced and aged between 16 and 35 years. The age group is chosen based on the existing system in many of the vocational training schemes in Nepal and is in line with both international and ILO practice. The approaches promoted by the project for ensuring employment include: (i) obligatory on-the-job training to facilitate employment and provide “hands-on” experience; (ii) mobilization (lobbying and advocacy) by field-based partner NGOs in their respective districts for employment of the trained youth; and (iii) establishment of cooperatives for collective employment opportunities.
11. The project outcomes foreseen are as follows:
  - Youth are trained and employable as per the market demand in the far western districts of Nepal.
  - Enterprises, run on a cooperative model by trained youth, are in place and functioning well.
  - The capacity of technical training providers (TTPs) and collaboration among stakeholders have improved.
12. The project will have a duration of two years and will comprise six components:
  - **Component 1: needs-based training package.** A detailed training needs assessment for employability both within and outside the eight targeted districts will be carried out and training packages (a training curriculum and manual) will be developed. Training will be based on the region's labour market, but potential international employment markets (i.e. India, Malaysia, the Gulf countries) will also be examined.
  - **Component 2: training implementation.** Training candidates will be selected according to set criteria. At least 1,200 young people will be trained and – in close collaboration with CBOs/NGOs and businesses and industries – employment will be guaranteed for at least 70 per cent of trainees within six months of graduation.
  - **Component 3: trainee stipend.** Needy youths will receive a stipend from the districts as per established criteria and procedures.

- **Component 4: stakeholder collaboration and capacity-building.** A list will be compiled of stakeholders and collaborating partners that have been identified within and outside the region in order to promote the sustainability and success of the project. Awareness will be raised regarding training needs and opportunities, and the requirements for curricula development.
- **Component 5: establishment of cooperatives.** A plan will be drawn up for cooperatives in target districts and a business and operational plan for the cooperatives will also be developed. Selected trainees will receive further training in cooperative management. Periodic technical and backstopping support will be provided for the management of cooperatives.
- **Component 6: quality management system.** An implementing partner organization and service providers will be selected, and an efficient and effective management team will be set up in the project area.

#### IV. Expected outputs and benefits

13. The following outputs are expected:

- Training provided and employability ensured for the targeted population (victims/ex-combatants, internally displaced and socio-economically disadvantaged youth).
- Development of a new approach that entails training as guarantee of employment targeted at conflict-affected youth and ex-combatants.
- A training system tested for potential cofinancing and collaborative partnerships for skill training.
- Increased awareness of training needs and opportunities and strengthened collaboration among formal training institutions and local government, civil society (communities/NGOs/CBOs) and the market (local industries, commercial organizations).

#### V. Implementation arrangements

14. The project will be coordinated by the grant recipient, the ILO, which will ensure collaboration with the other vocational training projects in the efforts to develop and deliver coordinated and harmonized vocational training. A partner organization will be contracted for the implementation of the activities in the far western districts. This organization will have as its core competence vocational training and skills enhancement, including development of training modules and curricula, in addition to competence and extensive experience in field-level operations, and capacity for monitoring, documentation and reporting of project activities. Local TTPs, NGOs and CBOs in the project area will support the implementation of the training activities.
15. The recipient will have overall responsibility for monitoring and timely reporting on the project activities. The implementing partner organization will assume responsibility for monitoring at the project level and will monitor the activities of partner TTPs and supporting NGOs. Necessary mechanisms for project-level monitoring will be developed, including participatory monitoring and evaluation systems. The related instruments, checklists and formats will be periodically revised in order to cover both training and employability elements of the project. A project coordination committee will be instrumental in providing technical support. Results will be reflected in half-yearly and periodical reports.

## VI. Indicative project costs and financing

16. IFAD will finance the project costs of US\$870,000. The five expenditure categories are the following: (i) personnel costs (14.9 per cent); (ii) operational costs (2.6 per cent); (iii) investment costs (2.5 per cent); (iv) training programme costs (63.4 per cent); and (v) project management (16.6 per cent).

### Summary of budget and financing plan

(United States dollars)

<i>Type of expenditure</i>	<i>IFAD</i>
Personnel (including subcontractors)	129 800
Operational costs	22 600
Investment costs	21 700
Training programme costs	551 900
Project management	144 000
<b>Total</b>	<b>870 000</b>

17. The ILO contribution will be in-kind and will include provision of office space, equipment and administrative support for project coordination.

## Results-based logical framework

Objectives	Narrative Summary	Performance Indicators	Means of Verifications (MOVs)	Assumptions
<b>GOAL</b>	<b>Youth in the far western districts have increased livelihoods options through improved employment opportunities</b>			
<b>OUTCOMES</b>	<p>A. <b>Youth are trained and made employable as per the market demand in far western districts of Nepal</b></p> <p>B. <b>Two model enterprises run in cooperative model by trained youth are in place and functioning well</b></p> <p>C. <b>Capacity of the technical training providers enhanced collaboration strengthened</b></p>	<p>(a) By the end of 2 years, at least 60% of the trained youth with below class 10 education in 8 of the far western districts (Darchula, Bajhang, Bajura, Baitadi, Doti, Dadeldhura, Kanchanpur and Kailali) have been employed in and outside the districts within 6 months after completion of the training programmes</p> <p>(b) Eight cooperatives employing at least 10 youth in each target district start sharing profit by the end of second year of establishment</p> <p>(c) Increased awareness on the training and curricula development needs. Collaboration between formal training institutions, local government, civil society and the market strengthened through joint activities and projects</p>	<ol style="list-style-type: none"> <li>1. Final evaluation report</li> <li>2. Periodical progress reports</li> <li>3. Tracer study of trained youth (sample) by Nov. 2009</li> <li>4. Audit reports and balance sheet of the cooperatives</li> <li>5. Management plan of cooperatives</li> </ol>	Economic and security situation do not further deteriorate
<b>OUTPUTS</b>	<ol style="list-style-type: none"> <li>1. Appropriate training packages refined and/or developed as per the needs for training delivery.</li> <li>2. Appropriate and quality training to targeted youth provided for employability</li> <li>3. Stipend to deserving youth provided for affordability</li> <li>4. Network among likeminded agencies in the region established and functional</li> <li>5. Technical and financial support to establish two model cooperatives provided</li> <li>6. Management system to deliver quality services in place.</li> <li>7. Mapping and database on vocational training opportunities developed.</li> <li>8. Workshops to raise awareness and strengthen collaboration organised</li> </ol>	<p><b>By the end of two years:</b></p> <ol style="list-style-type: none"> <li>1.1 Detail assessment of training needs of youth for employability in the district and outside confirm the preliminary list set at the time of planning and changes are incorporated accordingly</li> <li>1.2 At least seven training packages (training curriculum and manual) as per needs of the market and the youth made ready for implementation and replication by others</li> <li>2.1 At least one competent NGO in each district select appropriate youth for training with necessary aptitude and deviation is less than 10% in total</li> <li>2.2 At least 1200 youth are trained in selected TTPs of which at least 50% are female, dalit and Janajatis from poor segment of the region; and 30 % are conflict affected/victims and ex-combatants</li> <li>2.3 Within 6 months of training completion at least 60% of them are employed</li> <li>3. Maximum 80% of youth receive full and partial stipend according to established criteria and procedures</li> <li>4. Other agencies also share at least 20 percent of the project's subsidy to trainees</li> <li>5. At least 24 trained youth capacitated to establish and manage the cooperatives in 8 districts</li> <li>6. Cooperative Management Committee in each district well functioning and take ownership</li> <li>6.1 A lean project management team stationed at Dhangadi is functioning well as per the set ToR</li> <li>6.2 Achievement is at least 90% of planned activities with required quality</li> <li>7. Information from the mapping and database made available and benefit organisations involved in the vocational training sector</li> <li>8. At least 4 workshops organised for public and private sector organisations to strengthen collaboration</li> </ol>	<ol style="list-style-type: none"> <li>1.1 Detail need assessment report</li> <li>1.2 Training curricula and manuals</li> <li>2. List of selected NGO in each district</li> <li>2.1 Selection criteria and check-list and selection reports</li> <li>2.2 Partner TTPs' progress report</li> <li>2.3 Project's periodical reports</li> <li>2.4 Tracer Study report</li> <li>3. Annual and periodical reports</li> <li>4. Annual and network reports</li> <li>5. Annual reports of cooperatives</li> <li>6.1 Monitoring/supervision reports</li> <li>6.2 Minutes of meetings/ Workshop reports</li> <li>6.3 Review / evaluation reports</li> <li>6.4 Progress reports</li> <li>7. Annual and period reports, including information on the use of the database.</li> <li>8. Workshop reports and action plans.</li> </ol>	<ul style="list-style-type: none"> <li>• Economic and security situation do not further deteriorate</li> <li>• Competent NGOs are committed to collaborate</li> <li>• Competent and committed TTPs are available within far west region to congregate and train the youth</li> <li>• Unwanted pressures do not take place (due to vested interest) to run the courses and cooperatives</li> </ul>
<b>MAJOR ACTIVITIES</b>	<ol style="list-style-type: none"> <li>1. Appropriate training packages refined and/or developed as per the needs for training delivery</li> <li>2. Appropriate and quality training to targeted youth provided for employability</li> <li>3. <b>Stipend to deserving youth provided for affordability</b></li> <li>4. <b>Network among like-minded agencies in the region established and functional</b></li> <li>5. <b>Technical and financial support to establish two model cooperatives provided</b></li> <li>6. <b>Management system to deliver quality services in place</b></li> </ol>			<p><b>Pre-Condition</b></p> <p>Timely approval and launching of the project.</p>