Nepal
Proposed Project for Accelerating Inclusive Jobs Growth in Nepal
Preparation Consultations
July 10-19, 2017
Aide Memoire (AM)

1. During July 10–19, 2017, a Bank Team carried out Preparation Consultations of the proposed Project for Accelerating Inclusive Jobs Growth in Nepal. This Aide Memoire (AM) summarizes the strategic ideas and preliminary 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 Dr. Baikuntha Aryal, Joint Secretary, International Economic Cooperation Coordination Division, Ministry of Finance on July 19, 2017. It was also 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.

2. Proposed Project Scope

**Proposed Project Development Objective:** To create quality jobs and enhance labor market outcomes for youth.

3. Potential Project Activities: The Project will support complementary labor demand and supply side interventions, both linked to clearly-defined jobs impacts. The activity has three proposed components.

**Component 1:** Increasing labor demand through a Jobs Fund that supports labor intensive SMEs to expand their businesses. In Nepal, SMEs comprise a substantial part of the economic activity, creating employment opportunities, mobilizing resources, and raising incomes. According to a report “Scoping Study for SME Finance for Women in Nepal, 2012”, there were an estimated 111,000 SMEs in Nepal in 2012, when they accounted for 90% of all industrial establishments, employed around 1.75 million workers and generated 22% of GDP. Enterprise survey data from 2013 shows that SMEs had the highest job growth across size categories. However, SMEs face challenges. Many exhibit weak managerial capacity and have poor knowledge about business opportunities. SMEs also find it difficult to access either debt or equity financing. Other problems include: weak support from the entrepreneurial ecosystem; and poor labor quality. Government efforts to spur SME growth include a Startup Ecosystem Development Committee initiated by the Ministry of Industry and an Innovation and Agro-entrepreneurship program in the Ministry of Agriculture, using matching grants and tax incentives. However, there is a need for intensified support to trigger the jobs growth potential of the sector.
The proposed Jobs Fund would provide SMEs a package which includes: (a) *Jobs-linked grants to support expansion plans*. This will involve the provision of grants to help SMEs to implement expansion plans which create jobs. The grants will be conditional on (i) the number of additional jobs generated, and (ii) whether the expansion plans are credible. They will help offset the market distortion arising from the difference between the market price of labor and the economic opportunity cost of labor. The grants will also mitigate the risks of the expansion plans, helping firms to access commercial financing from banks, private equity funds, angel investors, and others. (b) *Technical Assistance*. The Fund will support SMEs to develop expansion plans acceptable to financial institutions, and to implement their plans by improving their managerial capacity, production efficiency, technology, corporate governance, legal and statutory compliance, financial management, team capability and market linkages.

**Component 2.** *Improving labor market information and services for youth through ‘one-stop jobs centers’*. To improve labor market outcomes for youth (particularly women) this component will address two key constraints. Firstly, the lack of access to information for making decisions on employment and training. Secondly, inequities and social barriers that preclude some groups from improving their labor market outcomes. The Government of Nepal (GoN) and development partners have attempted to address aspects of these problems, but Nepal lacks an integrated set of employment services that effectively caters to the needs of young people, especially those from disadvantaged backgrounds.

This Component will build on existing interventions and institutions to improve labor market information and services for youth through ‘one-stop jobs centers’. The project will explore options to use private delivery mechanisms with results-based contracts to provide: (i) information on labor markets, job opportunities and processes for local, national, and international employment; (ii) counseling on job search; (iii) linkages to programs to enhance labor market outcomes (e.g. skill training, certification, and self-employment support and financing); and (iv) additional services for specific groups, such as female youth job clubs and financial literacy training to migrants, returnees, and their families.

Component 2 will be designed to be complementary to Component 1, by linking workers to the firms and industries supported by the Jobs Fund; and to training and placement programs such as Enhanced Vocational Education and Training Project, similar initiatives of GoN and those supported by other development partners.

**Component 3.** *Capacity building, monitoring and evaluation and project management*. This component will finance capacity building for implementing agencies, project monitoring and evaluation system and the administration of project implementation.

4. **Proposed Cost and Financing:** Tentatively, the cost of the proposed Project will be USD 150 million IDA credit financing.

5. **Proposed Financing instrument:** The Project will be an Investment Project Financing with some Disbursement Linked Indicators.

6. **Proposed Institutional and Implementation Arrangements:** The Project will establish adequate institutional and implementation arrangements to support the integrated demand-side and supply-side interventions. A Project Steering Committee (SC) will be set up, consisting of senior officials from the relevant government agencies such as: Ministry of Finance, National Planning Commission, Ministry of Labor and Employment, Ministry of Youth and Sports, Ministry of Industry, Ministry of Agriculture, and Ministry of Education. The SC will provide policy guidance and cross-sectoral coordination. The Jobs Fund should be administered by GoN and implemented under contract by a private entity. A governance structure would be established which includes private sector.
7. **Preparation work:** The Bank’s task team will continue working with the Ministry of Finance and other key Ministries and agencies to define the interventions that the proposed operation would support. This will entail reaching agreement on the following points:

- Project objective(s) and key results indicators
- Project scope, including details of activities to be supported by each component
- Institutional and implementation arrangements
- Project cost and financing estimates
- Project results framework and M&E plan

During preparation, it is expected that the team will have access to resources from the Jobs Multi Donor Trust Fund (MTDF) which will enable the team to develop ideas for the main components and test the design as well as to develop a monitoring and evaluation framework for the Project.

The Bank will also be implementing a complimentary multi-year Non-Lending Technical Assistance (NLTA) program to frame the jobs agenda in Nepal. The first phase of the NLTA will support the following activities: (a) Preparing a Jobs Diagnostic and then working with the National Planning Commission (NPC) to develop a Jobs Strategy, which would identify key policy and program options to generate better jobs outcomes in Nepal; (b) Supporting the development of a Jobs Platform to integrate Bank-supported lending and analytical activities relevant to the jobs agenda, under the aegis of the new Country Partnership Framework (CPF). This will include: carrying out a Jobs Portfolio Review of the World Bank Group portfolio associated with jobs in Nepal; establishing a Monitoring and Evaluation (M&E) framework for jobs-related interventions; and strengthening the evidence base for new lending through analytical work to fill knowledge gaps. As per the suggestions of both NPC and MOF, to ensure the first task is jointly owned by GoN and the Bank, a technical team/focal points will also be established on the GoN side to work with the Bank’s task team.

8. **Partnerships:** The team has been exploring the potential for partnerships with other development partners. On the NLTA, agreement has been reached with DFID and ILO to coordinate the analytical support provided to the National Planning Commission on inputs for a jobs strategy. Both ILO and Swiss Development Cooperation (SDC) have expressed their interest in joining the Bank in this agenda with complementary efforts to support the Government around provision of labor market related interventions. The team will continue exploring this area as the project preparation proceeds.

9. **Proposed Key Timeline for Processing:** The Bank and Ministry of Finance discussed the overall Project preparation process and the tentative timeline. The proposed milestones are as follows:

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<tr>
<th>Project Concept Review</th>
<th>September 2017</th>
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<tr>
<td>Preparation</td>
<td>November 2017</td>
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<tr>
<td>Appraisal</td>
<td>May 2018</td>
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<td>Negotiations</td>
<td>July 2018</td>
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<td>Bank Board Approval</td>
<td>September 2018</td>
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10. **Next Consultations.** The Bank’s team indicated its willingness to work closely with the counterparts on the design work. The next technical consultations is scheduled for November 2017.
## Annexes

### Annex I: Summary of Agreed Actions

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<th>Actions</th>
<th>Responsibility</th>
<th>Agreed timeline</th>
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<td>1</td>
<td>Identification of implementing agency</td>
<td>WB/MOF</td>
<td>By end of August</td>
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<td>2</td>
<td>Identification of GON technical focal points for the jobs diagnostic and Nepal jobs strategy development activities of the NLTA</td>
<td>WB/MOF</td>
<td>By end of September</td>
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<tr>
<td>3</td>
<td>Prepare Grant Fund Request to the Jobs MDTF for resources to support the jobs agenda in Nepal</td>
<td>WB</td>
<td>By end of September</td>
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Annex 2: Bank Team (Alphabetical Order) and List of People Met

1. Anastasiya Denisova, Economist
2. Anupa Aryal Pant, Private Sector Specialist
3. Anupama Shakya, Consultant
4. Ashish Narain, Sr. Economist
5. Ashim Nepal, Financial Sector Specialist
6. David Ian Walker, Lead Economist (Co-Task Team Leader)
7. Jasmine Rajbhandary, Sr. Social Protection Specialist (Task Team Leader)
8. Jyoti Maya Pandey, Social Protection Specialist (Co-Task Team Leader)
9. Karishma Wasti, Agriculture Specialist
10. Lansong Zhang, Operations Analyst
11. Maya Sherpa, Economist
12. Maheshwor Shrestha, Young Professional
13. Rajshree Karki, Program Assistant
14. Shubha Chakravarty, Economist
15. Suravi Bhandary, Consultant
List of People Met

National Planning Commission
1. Dr. Kripa Sindhu Prasad, Member
2. Mr. Khomraj Koirala, Joint Secretary

Ministry of Industry
1. Mr. Purushottam Nepal, Joint Secretary

Ministry of Agriculture
1. Mr. Yogendra Karki, Joint Secretary
2. Ms. Shabnam Sivakoti, Regional Program Manager, Agriculture Entrepreneurship Program
3. Mr. Binod Bhattarai, Senior Agriculture Economist

Ministry of Finance
1. Dr. Baikuntha Aryal, Joint Secretary, IECCD
2. Mr. Lal Bahadur Khatri, Under Secretary, IECCD
3. Mr. Yuga Raj Pandey, Under Secretary, IECCD

Department of Labor
1. Mr. Bhuwan Prasad Acharya, Director General
2. Mr. Raj Kumar Khadka, Computer Engineer

Development Partners
1. Mr. Gareth Weir, Team Leader, Economic Development Team, DFID
2. Ms. Priti Prajapati, Employment and Skills and Migration Adviser, DFID
3. Mr. Rabi Rayamajhi, Private Sector Development Advisor, DFID
4. Mr. Richard Howard, Director, ILO
5. Ms. Nita Neupane, Sr. Program Officer, ILO
6. Ms. Bina Kunwar Thapa, Program Officer, ILO
8. Dr. Biswo Poudel, Consultant, ILO
9. Mr. Narayan Bhattacharai, National Project Manager, The Bridge Project, ILO
10. Ms. Usha Bhandary, National Program Officer, SDC
11. Ms. Yamuna Ghale, Senior Program Officer, SDC

Private Sector
1. Mr. Bijendra R. Joshi, Co-Founder, Nepal Entrepreneur’s Hub
2. Mr. Bhushan Shah, NABIC
3. Mr. Anuj Joshi, Practical Action
4. Mr. Anil Shah, President, Nepal Banker’s Association
5. Ms. Anupama Khunjeli, Deputy CEO, Mega Bank Nepal Ltd.

Participants of Focus Group Component -1
1. Mr. Liladhar Dhital, Sana Kishan Bikas Bank
2. Mr. Prakash Maharjan, President, Shakti Food Pvt. Ltd.
3. Mr. Bijendra R. Joshi, Co-Founder, Nepal Entrepreneur’s Hub
4. Mr. Suman Shakya, Consultant, World Bank
5. Mr. Anamol Bista, NYEF
6. Ms. Mahalaxmi Shrestha, FWEAN
7. Mr. Bikash Gurung, President, Robotics Association of Nepal
8. Ms. Susan Vaidya, Nepal Engineer Association
9. Mr. Allen Tuladhar, Microsoft
10. Mr. Bhusan Shah, NABIC
11. Mr. Bibshushan Bista, Young Innovations
12. Mr. Anand Pandey, Bank of Kathmandu,
13. Mr. Siddhant Pandey, Business Oxygen
14. Ms. Victoria Ous, Rockstart Impact
15. Mr. Pukar Malla, Daayitwa
16. Ms. Sandeepa Shah, Daayitwa

Participants of Focus Group Component -2

1. Mr. Subas Subedi, ENSSURE/HELVETAS
2. Ms. Reshma Thapa, Restless Development
3. Ms. Bhavna Adhikari, SaMi/HELVETAS
4. Ms. Sarojini Sherchan, Thames International College
5. Mr. Krishna Gurung, Pourakhi Nepal
6. Mr. Sumit Dhital, Rojgari Services
7. Mr. Avinash Karna, SPUK
8. Mr. Prakash Sharma, ILO