Updated Implementation Guideline for Micro Enterprise Development for Job Creation

Kathmandu, January 2014

Funded by:

Table of Contents

Annexes

1. Background

The Employment Fund (EF) aims to achieve at least 80% employment rate among the skilled graduates. Most of the graduates in regular skills training programs opt for wage employment as opposed to self-employment where they would have to establish and operate their own enterprises. Some of the reasons the graduates do not venture into self-employment are often in adequate selection criteria, support package and duration of the training. Currently, those who wish to go for self-employment under the regular program are provided with a basic additional training on business skills. However, based on graduates' feedback the EF understands that the current business skills support provided by the EF is not suitable for those graduates who wish to establish an enterprise immediately. Establishment of new small and medium sized enterprises will foster demand as well as supply through increased production, and therefore create additional jobs. Thus, EF through its 'Micro-Enterprise for Job Creation' program aims to contribute to the country's GDP growth, which is presently very low, as millions of poorly educated Nepali youths lack entrepreneurial and technical skills, as well as capital to establish and profitably run a micro-enterprise.

The new enterprises will increase wage employment opportunities for thousands of the poor and less educated or unskilled people. In this way, investing in potential job creators instead of job seekers will not only bring the graduates into gainful employment but also increase the number of gainfully employed workers in the newly established micro-enterprises, and hence contribute to reducing the country's unemployment and poverty rates, as well as boost economic growth.

2. Objective of the guideline

The main objective of this guideline is to facilitate Training and Employment Service Providers (T&Es) to effectively implement micro-enterprise development program for job creation. This will help create new small and micro-enterprises that will ultimately lead to better job opportunities for unemployed youths.

3. Announcement and trainee selection

3.1 The clients (target group)

The target group of the program will be youth aged 18-40 years, 3 years work experience or Level 1 passed and at least 1 year experience. These could be educated or uneducated, normally able to invest, willing to start their own enterprises and capable of creating jobs for other disadvantaged people. Unlike in other programs, economic poverty and educational criteria are relaxed for this component, which widens the target group. Some of the trainees maybe wage employed and skilled graduates of L1[1] or L2. The target youth will be classified in four different categories as A, B, C and D as follows:

Category A: Women (Dalit, widows, internally displaced people, ex-combatants, physically disabled, HIV/AIDS infected)
Category B: Other women not referred to under category A

[1] Graduates from EF's Regular L1 training are eligible.

Category C: Men (Dalit, Janajati, Madeshi, internally displaced, ex-combatants, physically disabled, HIV/ AIDS infected)
Category D: Men not referred to under category C

The % of women participation should be as specified in the agreement.

Individuals who are already self-employed are **not eligible** to participate in this training, and hence are not included in the target groups. Similarly, people below 18 years or above 40 years of age and those currently undertaking formal education are also not in the target group.

3.2 Details in public announcement and duration (trade group, outreach mechanism, attracting returnees)

The T&E providers are responsible for announcing all training events through a wide range of media, such as local FM radio, printed media (newspapers, pamphlets) and interpersonal communication through local contact persons, social groups, associations, intermediaries, local coordinators, local franchises, as well as traditional information dissemination methods used in the area. T&E providers are also responsible for collecting and processing applications (Annex 2). To ensure that the potential participants are well informed, the occupational sector (but not the occupation), in which the training and further support will be provided, must be mentioned at the time of public announcement.

Announcement should cover the following information:

- Training information: Objective of the training, occupational sector (not the occupation); venue, training start and completion date, schedule of the training etc.
- Application information: Location where applications can be obtained and submitted, as well as the application deadline.
- Personal profile of trainees: Age group 18-40 years, no education bar, already skilled can also apply. Entrepreneurial youths and returnee migrant are encouraged to apply.
- Non-eligibility criteria: Those below 18 or above 40 years of age, presently self-employed and currently undertaking formal education are not eligible to apply for training.

Below is the checklist for standard announcement:

Training event information	Standard information	Application information
Title of training, slogan and occupational sector	Tested and certified by NSTB Free to public For Level 2 training, the graduate must pay fee for NSTB test	Where to obtain and submit the application form
Start date	Source of funding: SDC, DFID and World Bank	Application form submission deadline
End date	Facilitation in self-employment and job creation after the successful training completion	

Total number of hours		
Schedule (days and timing)		
Venue		

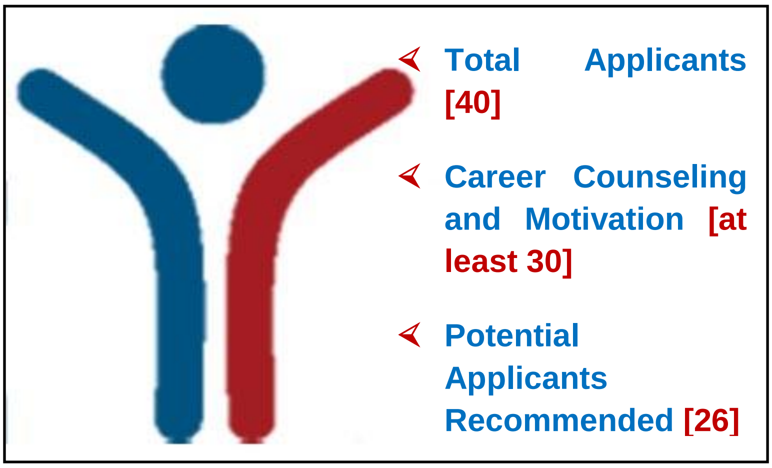
Each T&E must inform the EFS focal person in the regions about the interview dates minimum one week in advance. Staff from EFS should appear as observers during the interview. Any changes to the interview date must be immediately conveyed to the EFS focal person. For trainee selection a tool designer for this purpose and presented in the Annex 5 should be followed.

This training program has in the past attracted returnee migrants. However, the outreach mechanisms of T&Es were not satisfactory. These migrants have exposure, work experiences and the capital to invest and possess potential to benefit from such training programs the most. With this in mind dedicated efforts and proper mechanism of outreach should be promoted (such as getting information from remittance outlets, making explicit announcement by T&Es about interest to work with returnee migrants, contacting and disseminating information through returnee migrant associations).

3.3 Required number of applicants

T&Es are encouraged to attract at least 40 applicants for one event so that there is opportunity for them to select potential participants from a larger pool of applicants. Initially, T&Es should be the ones to filter out applicantsbyscreening applications for applicants 'interest and potential for enterprising, as T&Es are closer to the participants at local level. For instance, among the total 40 applicants T&Es recommend 35applicants for career counselling for the training events having slot of 20 people. As experience shows, at least 30 qualified applicants (i.e. at least 50% more applicants than available slots) are required for career counselling. If there are fewer applicants than 30 for the career counselling, T&Es have to extend the time line and have to re-announce for additional applicants. All candidates must use standard application form (Annex 2).

3.4 Career counselling



As recommended by T&Es (see section3.3) all applicants must undergo a two-day career counselling session. The career counselling shall encourage the selected applicants to be entrepreneurial, start their own enterprises and generate jobs. There will be no screening by career counsellors, but applicants might change their decision themselves after the counselling and decide not to participate. If the T&E is interested, the counselling organizations may share the assessment results with the T&E but must refrain from giving recommendations or doing pre-selection of participants. All participants who have received career counselling will undergo business motivation training. Participants who have not received career counselling will not be qualified for further support by EF.

Career counselling is aimed to align selected applicants' current vision with the program objectives. For this purpose, invited experts will deliver a two-day career counselling on interest, aptitude and a potential career path for the youths (experienced Tot recipients on career counselling). This course will enable the youths to overcome their problems themselves, analyze and provide direction to seize the opportunity to contribute to economic growth fuelled by self-employment and job creation.

EFS will identify and recruit resource organizations for counselling to facilitate such trainings. The T&E's capacity will be further developed through are source organization.

As there have been difficulties in sourcing career counsellors in the past, it shall be duly announced by EFS and T&Es if there are no counsellors available for a certain event. Where possible skills and enterprising fairs will be organized and on the spot assessments will be done by counsellors of resource organizations, followed by individual counselling sessions. Counselling organizations should have enough information about various career options available in the market. In addition they should possess information on short-term technical and vocational training courses offered by different T&Es (not only EF) in the locality and are able to recommend related T&Es for particular training based on the interest of the youths.

3.5 Business motivation

The main objective of the business motivation training is to encourage and inspire youths to be self-employed and provide relevant information. A five-day training will comprise basic business education (e.g. advantages of self-employment, information on registration, capital requirements and sources of capital, basics on business planning, financial services, tax issues etc.). Guest speakers and successful entrepreneurs will share their experiences, which in addition will expand participants' exposure to the larger business community, where possible guest speakers and successful entrepreneurs should be EF training program graduates. There must be two trainers: one from resource organization and another from T&Es. However, there will be at least four guest speakers – one each from local financial institutions, local enterprise registration office and two successful small and micro-entrepreneurs from a relevant sector.

Successful entrepreneurs should be chosen with due care, so that both of them can build 'backward' or 'forward' business linkages (either raw material suppliers, finished or semi-finished goods buyers). These two successful entrepreneurs might work as mentors for some of them and/or provide on-the-job training in the future. Business motivation training should be provided to 150% (i.e. at least 30 youth) of the actual available slots, so that there is sufficient space for selection by the trainers themselves and later by T&Es. The resource organization responsible for the delivery of the business motivation training at the end will recommend the most suitable candidates for the skills training. However, the final selection is with the T&E.

Business Motivation

- ***5 days Training***
- ***For at least 150% applicants more than the available slots.***
- ***Inspirations for self-employment through exposure and interaction with successful entrepreneurs***
- ***Representatives from business registration office, tax and financial institutions also present their services.***

Trainers with a business/management background are a preferred choice for career counselling and business motivation sessions.

3.6 Final list of potential entrepreneurs

This is the first milestone and the foundation for further work in this component. Once the business motivation training is completed, the trainers jointly finalize the list of potential entrepreneurs considering their possible occupations for self- or wage employment, their family background, investment capacity, risk-taking ability, overall aptitude, personal motivation and interest. This list should comprise the participant-wise potential for self- or wage employment indicating possible occupations for each participant.

This list should be prepared jointly by the T&E resource organization's trainers, based on their assessment during the business motivation training. The list as per Annex 3 must be given to T&E and EFS on the last day of business motivation training by the trainers. The first business idea of the participants needs to be indicated in this list as well. It is anticipated that there may be smaller groups (3, 4 sub-groups) interested in different occupations later. Considering the nature of expected outcome, it is recommended that sub-groups should be between 5 to 10 people, but this should be entirely up to the participants and the trainer. Ideally, three sub-groups in three different occupations would be best from logistical, managerial and educational perspective.

<u>Final List of participants</u>

After a five-day business motivation training two trainers jointly shares with the T&E their recommended list of potential entrepreneurs to T&E. The list should be signed by both of them and provide to T&Es and EFS on the same day. Then the T&E's management makes the final selection from the recommended list.

In order for the T&E management to make the final selection, it is advised that these two trainers recommend more than 20 of those 30 who received the business motivation training. On the basis of the list of prospective entrepreneurs compiled by the two trainers, T&Es may choose any or all candidates recommended for their potential for self-employment. The list shall then be finalized. Subsequently, there should be no further elimination by EF monitoring team of any of these candidates. The participants not selected for micro-enterprise and job creation training will have the right for one-day career counselling session by the resource organizations. Additionally, T&Es should inform them about other options as attending training events supported by other projects e.g. EVENT Project if available.

3.7 Business plan preparation

Proper business plan preparation and its implementation are essential for establishing and succeeding in an enterprise. During the business motivation session, some brief knowledge of business planning should be imparted to the participants. Later, detailed five-day training on business plan development will be provided after the technical skills training but before going for OJT (on-the-job training). Business plan preparation is taught to all the trainees by resource persons (one national plus one local resource person) to help participants prepare their own business plans. Trainees must follow certain patterns and sequence of a business plan development (see Annex 4). T&Es and the resource person are responsible for technical support for better planning of the future enterprise.

Venue for the business, source of investment, estimation of current capital, breakeven point, return on investment, purchasing plan, human resource mobilization plan, marketing plan, risk assumption and its way out plan and others vital matters must be explicitly addressed in the business plans.

T&E providers should have technical skills and sound knowledge of business planning to provide backstopping support to the graduates. Quality and feasibility of the business plans must be evaluated by the resource organization in collaboration with the trainers. The business plans should preferably include 2-5 year business projections.

Summary of each graduate's business plan must be attached by the T&Es when claiming the first instalment. The summary of such plan is presented in the Annex 4 and can also be recovered from the EF database system. It is the duty of the T&Es to ensure that the graduates actually implement the business plan and revise it when and where necessary.

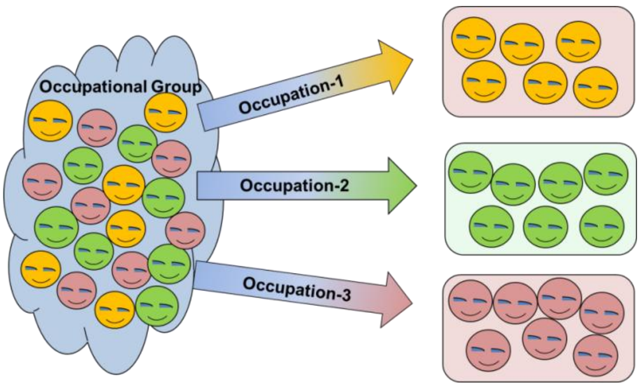
Business Plan Preparation Training

- ***Provide a five-day training,***
- ***Participants prepare an actual business plan,***
- ***Trainers evaluate the business plans and recommend for implementation,***
- ***T&E submits first claim together with business plans' summaries,***
- ***T&Es provide the backstopping support for effective functioning of the business at the end of training.***

4. Technical training

4.1 Training duration and its level

The duration of technical training estimated for 390 hours, ideally 5 hours per day combining 80% practice and 20% theory. The skills training must be of Level 2. The total of 390 hours includes OJT of maximum one month where applicable and required. Considering the nature of trade, if longer duration of training and/or longer duration of OJT are required, T&Es have to indicate this in their proposal and should incorporate in the contract accordingly.



As mentioned above, a detailed business planning session (5 days long) should be delivered after the technical training and before OJT so that the participants have developed a confidence level in the skills through technical training, familiarized with the tools and equipment, and are now able to conceptualize it into the real business plan.

The contents of the technical training have to be worked out by the training providers before the training with regard to the existing technical level of the participants and market requirements. This can be easily done looking at available curricula and skills required for the market. Largely, it is envisaged that technical training will be at Level 2 and/or Level 3 plus updated market skills. The quality standard for the training is similar to other regular training events as specified by EF. The main trainer must have received ToT and must have substantial on-hands experience with own

business in the same occupational sector. The co-trainer must also have sufficient experience in the same field. For the smaller numbers i.e. up to 10 trainees, one experienced trainer suffices. Other requirements for the training environment, logistics are prescribed in accordance with the EF program.

4.2 Financial literacy training

During the technical training of two to three months the trainees will also receive financial literacy training. EF will work with the resource organization to develop a simple training/information package relevant for the potential entrepreneurs. This financial literacy training session should offer a two to three-day training package and should be delivered by personnel from a financial institution. This way, the participants will be familiar with that institution and will be more likely to approach it when in need. The training package will consist of a range of financial knowledge that graduates need, such as managing money, saving schemes, developing own budget, loan schemes, financial negotiations, loan management, bank services etc.

Every T&E must facilitate the graduates' access to financial services. The target must be reflected in their proposal, which will be further stipulated in the agreement document with EF.

4.3 Exposure visit and its arrangement

Business exposure visits should be organized twice during the training period. Initially, it should be organized within the first 15 days of the technical training in a micro-enterprise comparable to what a new graduate can reach in about 5 years' time, or can use it as a benchmark it for their own enterprise. EFS recommend that the T&Es consider or ganizing business exposure visits to previous EF graduates, who have successfully established an enterprise since completing the same training. EFS will produce a profile of successful EF graduates and provide to all T&Es to facilitate this exchange of experience. It is anticipated that they should visit and interact with three successful entrepreneurs in the town centres where they can see themselves in near future. Proper interaction about the business size, staffing, capital requirement, legal provision, opportunities and challenges needs to be discussed during the exposure visits. After the visit, trainees should be asked to present five major learning points for their future businesses.

Another exposure visit of one day should be organized towards the end of the technical training. During this technical training graduates should be introduced to 'forward' or 'backward' linkages or both if possible. 'Forward linkage' can be a future client or logistician. Who are the major clients? How you attract clients? How you diversify your client base? What are the pricing strategies? What should be the margins and discounts? How powerful the clients are in the sector in that geographical area? Who are the other producers or services providers who offer same or better products than yours? What are the potential challenges?

'Backward linkage' refers to input suppliers' perspective. Here the trainees will need to identify raw material suppliers, consumables, tools and equipment, other resources and the terms and conditions of supply. Are materials (or other resources) scarce? Should they be stocked up on or are they readily available? Do they need to be collected or will they be delivered to you? -And so on.

Based on the occupational groups T&Es will select relevant visit place, workshop, enterprise, marketplace, business development service providing organization/firms, business networks, business alliance, occupational association. During the exposure visit the trainees must have accessibility to familiarize themselves with specificities of the occupation like business management, raw materials, technology, tools and equipment, marketing channels, means of

transport, potential resource persons (for further information), market promotional materials, potential market and customer, market response and competitors.

The plan, duration, number of participants, venue and budget needs to be finalized in coordination with the concerned T&Es in advance. In order to make these exposure visits more interactive and informative, ideally there should be around 5 people in a group (not be more than 10 people).

4.4 On-the-job training arrangement

In addition to the technical training of one month on-the-job training (OJT) should be arranged for all the participants where possible. The duration of OJT has to be stipulated in the proposal by T&Es considering the nature of occupations. The OJT should ideally be offered in a micro-enterprise similar to the future businesses of the trainees. While these may be any enterprises in the locality, EFS strongly recommends involving former EF graduates who successfully run an enterprise as OJT providers. To facilitate this process, EFS will produce a profile of successful EF graduates and share with the T&Es.

A brief learning objective for OJT for each of the occupations has to be worked out before OJT considering the nature of occupations. Trainers of the same occupation can work out the learning objectives of the OJT at the local level; EF Officers responsible for this component should help derive OJT learning objectives already during the technical training. These learning objectives should be established from potential entrepreneur's perspective (such as: understanding the potential clients, suppliers, key success factors, managerial skills, limiting factors, compliances and their behaviour for successful business, challenges faced during the course of business and ways to tackle them). Trainees and OJT providers should be instructed about the learning objectives, discipline, duties, rules and regulations to be maintained during OJT.

T&E provider has to ensure that trainees evolve and learn from best practices and are not merely regarded as assistants or free labour. At least once in the first two weeks T&E providersmustarrange an OJT site visit by main trainers to all graduates. After two weeks of OJT, all trainees should be gathered in one place (once if OJT is a month-long and twice if it is two months-long) to review the progress and challenges they faced during the OJT. Together with trainers they should establish indicators to help measure effectiveness of the OJT and share each other's experiences.

5. Skills testing and its levels

Skills testing for the purpose of enterprising and job creation component are mandatory. After establishing the participants' present skills levels and preferences, T&Es must arrange national skills test through NSTB L2. Considering the cost T&E has to decide minimum number of participants required to conduct the test. It is the responsibility of T&E providers to facilitate skills testing. More than one T&Es can form larger groups and plan the skills test together if needed. The detailed list of participants appearing the skill test should be submitted to EFS together with the request for the first instalment. The participants themselves should cover the costs of the skills test.

6. Enterprise registration

Enterprise Registration will be strongly encouraged for all newly created enterprises in the district. Since business registration in certain trades is more useful than in others, the target is that50% of all newly established enterprises are registered. For some trades, experience shows that the registration process can be tedious and involve high costs. In those cases, registration is recommended but not mandatory. Registration costs will not be covered by EF and must be borne by the graduates themselves. EF estimates that approximately 50% of all enterprises will be registered.

The enterprise should be registered at a specified authority (governmental institution like Cottage and Small Industries Development Board (CSIDB), Cottage and Small Industries Office (CSIO), office of the company register, VDC, municipality, metropolitan, tourism board, cooperative development board etc.) normally after completing the skills training.

The graduate will be free to register the business as a sole proprietorship private firm or a partnership firm, or a company. An enterprise will be recognized only if it is registered or legally taken over in the name of graduate after completion of the skill training. Business registration is a responsibility of the graduate but the T&Es must be in charge of facilitation of that process.

In order to claim the second instalment T&Es must either submit to EFS a copy of the enterprise registration certificate of the graduate. In case registration is not applicable T&Es must submit the evidence of the business start-up and receipt of tools submission to the graduates.

7. Tools support to graduates

The graduates will be supported for basic tools once they have either registered their enterprise or can prove the physical existence and functional operation of their newly established business. The maximum amount for basic tools support will be up to NPR 8,000/- per person in average. Considering the nature of occupations, T&Es might propose a lower amount as well. T&Es have to indicate the amount range for tools support, which shall be stipulated in the contract consistently for all trades. Tools must be purchased by T&Es after consulting with the participants so that their requirement is fulfilled to the largest extent possible. These tools have to be given to the graduates within 15 days of their enterprise starting date. The list of tools given to the participants together with the value of each tools and signature of recipient must be submitted to EFS at the time of the second claim. A list of appropriate and related tools provided to participants, and their value must be put on the wall of the classroom and made visible to all participants. This has to be supervised by EF monitoring team during the process and outcome monitoring.

8. Linkage to financial services

During the financial literacy training a link between a trainee and financial institutions will be established. The first steps could be opening a bank account for each participant to formalize the linkage between trainees and financial institutions. Linkage with financial services is considered from a wider perspective as an opportunity to educate them on the range of services that banks and financial institutions offer, including a number of deposit schemes, insurance and loan schemes. During the skills training a representative from a financial institution will provide training on financial literacy (point 4.1 above). Later, once enterprise is initiated, financial institutions will work together with the graduates to improve their access to finance (for instance, through regular

mandatory savings). T&Es will identify possible financial institutions at the time of submitting technical proposals and will bring them to the training venue at the time of business motivation training (point 2 above). T&E will also have to mention in their proposal the target number of graduates they intend to assist in terms of access to financial services, which shall be stipulated in the contract. However, T&Es should not confine to specific financial institutions but diversify it to as many as possible. They should have connected graduates directly to appropriate local financial institutions before completing the technical skills training.

9. Support through Business Clinics

The term "business clinic" is used to denote the provision of preventive and curative support provided on a regular basis by an expert to youths who have newly established their enterprises. The major objective of the business clinic is to ensure continuation and progress of enterprise by avoiding a fall-back of established enterprise and achieve sustainability and growth. The business clinic will provide an informal forum to the graduates and give them a feeling of unity and togetherness, which is crucial in a competitive market and the highly politicized and unstable economy like Nepal's.

Once the trained graduates start an enterprise, the major challenge will be to keep their enterprise running profitably and achieve growth and expansion. There are a number of problems that newly established entrepreneurs might face. These problems could be related to fulfilling the client's requirements in terms of new technology, ensuring regular supply of materials, suppliers and other service providers such as banks (which is often the problem), improving outlook of the enterprise, marketing and expanding the clientele, raw material/input supply and other logistical issues. The business clinic will also be a useful peer-to-peer learning platform the participants. The trainer/practitioner should not present a prescriptive program but facilitate the peer-to-peer learning and respond to individual cases, providing the necessary advice and support. In order for the clinic to be productive and useful for the participants each expert should not mentor more that 10 graduates. The lead trainer will organize a business clinic 3 to 4 times during a six-month period. First two clinics should be organized on a monthly basis, while the remaining two should take place every two months. The lead trainer shall identify six successful graduates in each event, whose businesses will be used as the facility for conducting the next business clinic. Business clinics shall not be conducted in training halls. T&E may invite other experienced practitioners and other appropriate resource persons on the business clinic.

If the graduates have not established the enterprise (and are wage employed or unemployed) after getting the training, such graduates may still participate in the clinic but only for initial two months, which might encourage them to establish the enterprise.

Business Clinic

Time: 4 times during 6 months

Duration: 6 months

Venue: Accessible place/ successful entrepreneur's production place

Participants: As per trade group

Lead by: Practitioner or trainers

Objective: technical and managerial problem solving updating on new technology, fostering co-learning, building confidence to prevent a fall-back

10. Job Creation

Job creation is taken as the major objective of the whole support to youths described above. The target is met when the entrepreneurs have employed additional workforce. Employment for immediate family members is not the objective. Hence, new employment for immediate family members (defined as: father, mother, husband, wife, son, daughter, brother and sister) will not be considered as outcome when it comes to payment justification. In order to be considered an outcome, the job must be:

- Filled by a non-family member,
- 'Paid in cash' job (no income threshold applies),
- Should be for adult (16 to 59 years),
- Can be skilled or unskilled, trade related or not trade related

In order to qualify as an outcome achieved the new job should regular or seasonal, created within one year from the date of contract between the EFS and T&E, and last for at least three-month or 20 days if paid on a daily basis.

EF strictly adheres to the principles of non-discrimination, gender equality and social inclusion. As neither EFS nor the T&Es can directly influence the selection of the employees by the graduates, EFS has designed the following measures:

1. As the T&Es receive incentives to include women and other discriminated youths into the training 'Micro-Enterprising for Job Creation', EFS expects that these already have a certain level of sensibility towards gender and social inclusion.
2. EFS strongly recommend that the T&Es link the graduates from the "Path to Prosperity" trainings to the newly established enterprises.

11. Measurement of outcome

Job creation as an outcome has been defined in the previous section. If the graduates are self-employed but have not created any new jobs, this will be considered as an output but not an outcome. There is no income threshold set for both: the graduate and for the new employee to be considered as outcome achieved. However, the employee must have received a wage "paid in cash" on a regular basis (daily or monthly) in the past three months.

The enterprise should be in the same trade group (not necessarily in the same occupation) as the training for the outcome to be considered achieved. Once the graduates start and operate their own enterprise it might take some extra time to properly settle down in the market, expand the operation and create new jobs. With this in mind the minimum duration of a new job created has been set-to at least three months period (at least 20 days work in a month) in a one-year agreement between EFS and T&Es.

If the agreement is shorter than one year, the period when the job should be created must be defined bilaterally in the agreement between T&Es and EFS. The grace period of two months can be enjoyed by the T&Es if required. Only those enterprises managed by graduates (as self-employed) with at least one additional new job created will be considered as successful.

However, for the purposes of knowledge management, EF will monitor a range of different indicators including income, number of employees (incl. family members employed), types of jobs created in addition to other criteria when reviewing claims by T&Es. An identical checklist will be

developed by EFS and will be implemented. A review to assess the status of the enterprise and number of jobs created after a certain period time (e.g. one to two years) is also envisaged.

12. Incentives

A set of incentives has been developed to stimulate T&Es to support graduates for business growth and create jobs for disadvantaged youth. Incentive will be applicable only if graduates have established their enterprises and created "paid in cash" jobs for other unemployed people for at least three months period during one year's agreement. The following rates of incentive have been proposed linking them with existing EF categories of target groups. This might be simpler to understand by T&Es as it follows similar patterns of EF regular program and still address the developmental objectives of inclusive growth.

Incentive

Incentive as per category of graduates

Category A = 80% of technical training cost, Category B = 70%; Category C = 50% and D = 40%

Additional bonus of 25% of the last installment paid if more than one job created.

Incentive is calculated according to the category of the graduate. If the graduate is from Category A = 80% of the technical training cost; Category B: 70%; and Category C = 50% and Category D = 40% of the technical training cost will be calculated as incentive.

If the total number of new jobs exceeds total number of graduates, the bonus payment will apply. The per capita bonus will be 25% of overall average of the third instalment. Similarly, if there are no new jobs then third instalment is not paid at all.

13. Cost components and payment mechanism

13.1 Cost components

This innovation will have three cost components in broader level:

a) Direct training cost
b) Support cost
c) Incentive (includes indirect cost and profit)

The ***direct training cost includes***: pre-training cost, cost for tools and minor equipment, cost for trainers, consumable training materials, business exposure visits, facility costs, financial literacy training. These costs must be competitive across T&Es in the comparable circumstances but might vary within trade group. No other costs can be budgeted under the direct training cost. Direct training cost is the basis for incentives calculation.

Cost components

- ***Direct Training cost***
- ***Support cost and***
- ***Incentives as per the categories of the participants***

Support costs: This is a new cost category. There are a number of support packages built-in in this in the MEJC component. Most important support packages are tools support to graduates, business plan preparation, business clinic etc. Once the activities are completed EFS will cover the cost for these activities as agreed in the contract. This is an activity-based budget and is not

related to incentives. The rates for each support activity will be reflected in the agreement by EFS and payment will be made once these activities are completed. The cost for skills tests under MEJC must to be covered by the graduates themselves.

Incentive: Incentive is calculated as per the category of the graduates. Incentive will be 80%, 70%, 50% and 40% for each of the categories A,B,C and D accordingly as elaborated in point 13 above. The direct training cost plus incentive is termed as an outcome price. Payment of the outcome price is directly linked to the outcome achieved. Incentives are there to stimulate T&Es to include socially discriminated participants in the training and link graduates to the employment. Incentive also covers indirect costs (such as cost for pre-financing, monitoring, reporting, regular support and other management costs) and includes profit or loss. More job creation by the graduates will entail higher payment and vice a versa. The payment of incentives are embedded in the outcome price and released through 2nd and 3rdinstalment. Second and third instalment are paid only if the graduates register or initiate their enterprise and create new jobs for unemployed people as elaborated in point 12 and 13 above.

13.2 The payment mechanism and instalments

The payment for outcome price (i.e. direct training cost and applicable incentive as per the category of participants) will be paid in three instalments as follows:

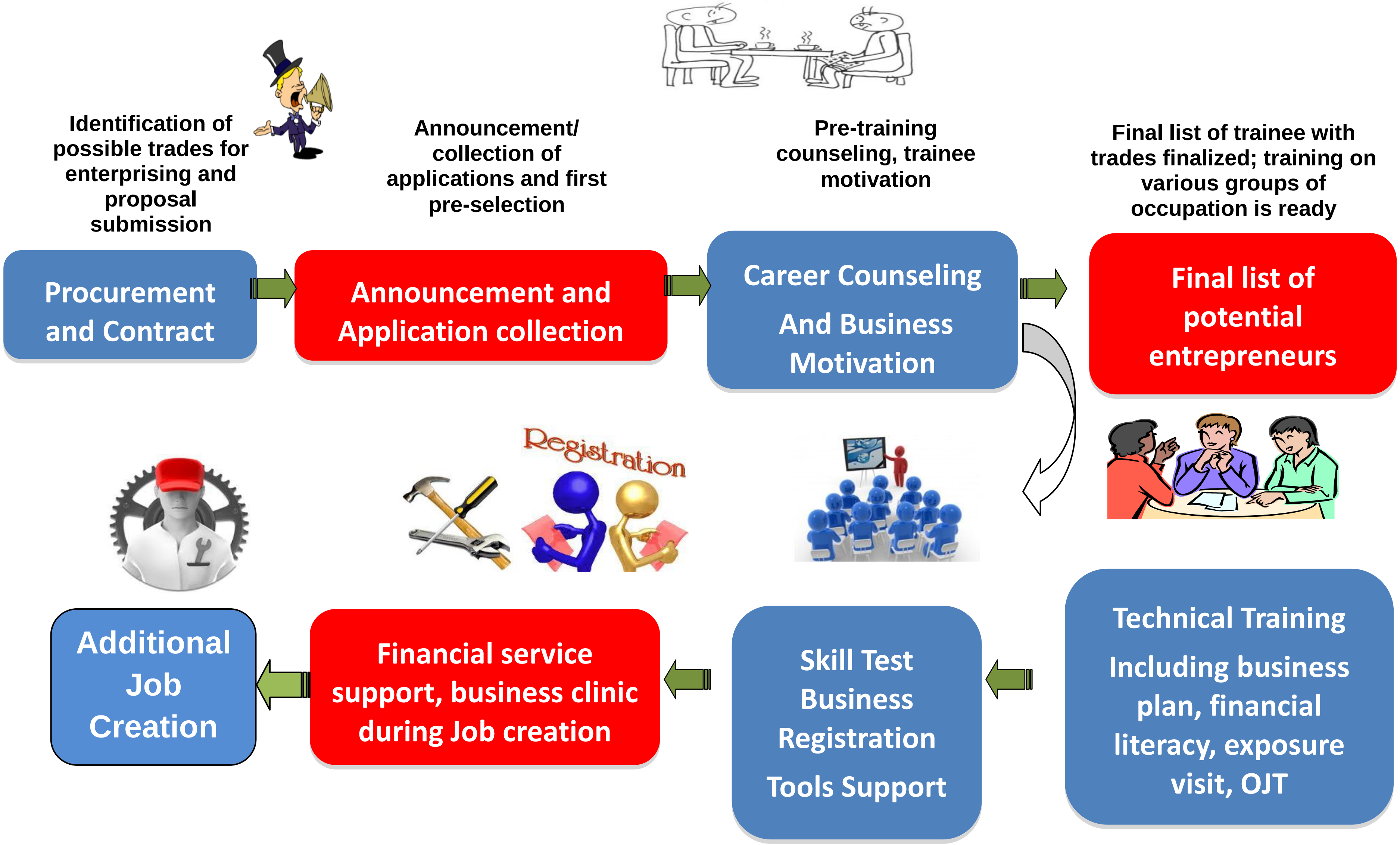
- First instalment: 40% of outcome price paid upon completion of skills test.
- Second instalment: 25% upon establishing the enterprise and provision of tools/equipment to the graduates.
- Third instalment: 35% upon creating at least one new job per graduate. In case of group enterprise (e.g. 3:1, i.e. 3 graduates in partnership creating only one additional job then the payment will be on a pro-rata basis).
- "Bonus" payment (where applicable) will be paid at the end.

ATE Provider trained 100 youths in total in a year. At the time of final verification, it has been confirmed that these graduates created a total of 110 new jobs. The average per capita outcome price of MEJC of this T&E was NPR 35,000/-.

- **Outcome price = Rs 35,000/person**
- **3rd Installment = 35% of Rs. 35,000 i.e.Rs.12,250/-**
- **25% of the 3rd installment = Rs 3,063/-**
- **Total additional jobs = 10 (110 – 100)**

Hence, the Bonus for one additional job will be Rs. 3,063/-. Total bonus for 10 additional jobs will be Rs. 30,630/-

Annex 1: The flow chart of the process



Annex 2: Standard trainee application form

Registration No.: ………….

Stamp of the T&E providers

Trainee Application Form

(A) Personal Data

Full Name: ……………………………………………………….. ☐ Married ☐ Unmarried

Sex: ☐ Female ☐ Male ☐ Other

Date of Birth: ….../ …….. / ……………… (Day/Month/Year) Age: …………….Yrs

Caste/Ethnicity: ☐ Dalit ☐ Janajati ☐ Other (specify): ……………………………..

Special Condition: ☐ HIV/AIDS infected ☐ Physically disabled ☐ IDP ☐ Ex-combatant ☐ Other(Specify): …………………………….

(B) Address:

Permanent Address	
District:	
VDC/MP:	Ward No.
Tole:	
Home Phone No.:	
Mobile No.	
Father's Name:	
Mother's Name:	
Citizenship No: Citizenship Issuing District:	

Temporary Address *(if other than permanent)*	
District:	
VDC/MP:	Ward No.
Tole:	
Home Phone No.:	
Mobile No.	

Reference Person:

Reference name: Mobile No.

(C) Education Record

☐ Illiterate ☐ Below 5 class ☐ 5 to 8 class ☐ 9 to 10 class

☐ SLC ☐ 10+2 ☐ Bachelor or above

Please submit the mark sheet with the application form.

(D) Employment Record

Your current employment status ☐ Wage/Salary ☐ Self-employment ☐ Unemployment

If you are employed:

Type of occupation: …………………………………….. Date of employment: …………………….

Total income per month Rs. …………………………

Have you taken any training related to the occupation: ☐Yes ☐No

If you have taken the training:

Name of the training: ……………………………..…………… Duration of the Training …………………

Name of the training institute: ……………………………………………………………………………………..

Training taken year: ……/………/…………….. Day/Month/Year

(E) Employment Record of Returnee Migrants

Country …………………………………….. Duration of work: ………………..☐Month ☐ Year

Job title ……………………………………… Salary (Rs.) ………………………… per month

Total Saving (Rs.) …………………………… Date of Returned:

(F) Training related information

Name of the occupation applied for: ……………………………………..

Training implementation: District………………………… VDC………………………. Ward No. ………

(G) Planning on Entrepreneurship

Type of occupation that you want to start …………………………………………………………………………...

Address: District …………………………. VDC………………………. Ward No. ………. Tole:……………………

Total estimated Investment/Capital: …………………………. Source: ☐ Self ☐ Loan

How many additional employee can be created: ………………………….

(H) How did you get the information on training? *(Please tick on single box only)*

☐Newspaper	☐FM /Radio	☐Television	☐Poster
☐Pamphlet	☐Relatives/Friends	☐Training Institute	☐Local Officers
☐Single Woman Group	☐Muslim Women Society		☐Dalit Women Association
☐Indigenous Nationalities Associations (specify the name)………………………………………………………			

I assure that all the information mentioned above are true.

Signature of the Applicant: ………………………………… Date:

Annex 3: Format for recommending a final list of potential entrepreneurs after Business Motivation Training

Name of T&E: …………………………………………………………... Date of Motivation training: ……………………………….

Location of Motivation Training: ……………………………………………………….

Name of IEDI Trainer: ………………………………………………………… Name of Local Trainer:

Total No. of participants Attended: ……………… Female: ……… Male: ………………

<u>Participants Profile</u>

SN	Name	Address	Sex	Age	Education	Contact No.	Preferred occupation	Recommended for *(Please tick on the respected column)*		
								Job creation	wage employment	Not Recommended
1										
2										
3										
4										
5										

Total No. of participants Recommended for Job Creation: ……………… Female: ……… Male: ………………

Sign: ……………………………………………… Sign: ………………………………………………

IEDI Trainer Local Trainer

Annex 4: Summary of a business plan

Summary of a Business Plan

1. Personal profile of the graduate

Entrepreneur's name: ………………………………………………………….. Ethnicity: …………… Gender: ………………

Address: ……………………………………………………………… Phone/mobile No. …………………………………………

T&E provider: ……………………………………………………………

2. Business Profile

Project name: ………………………………………………………… Location: …………………………………………………..

Major production/service: ………

Major Market: ………

Category of business: Micro/Small Duration of plan: ……… Ownership: individual/partnership

Business start-up date: …………….. Grace period: …………… month/year No. of job creation within first year: ……………………

Total Investment Rs. ……………………. Equity Rs. …………….. Loan Rs. ……………….. Other Rs. ……………………

Source of loan: ……………………………………………….......... Interest Rate: ……………….

Working Capital of first year Rs. ………………………………….. Net profit/loss of first year Rs. ………………………………

Return on Investment (ROI): ……………………. % Breakeven point (BEP): ……………. Payback Period: ……….month/ years

Prepared By (Trainee)	Recommended By (main trainer)	Recommended By (con trainer)
Name: ……………………….	Name: ………………………………..	Name: ………………..
Date: ………………………..	Date: …………………………………	Date: ………………..
Signature: …………………..	Signature	Signature: ……………..

Annex 5: Trainee Selection Instrument

Trainee selection instrument for MEJC (better targeting instrument)

SN/ ID	Name of applicant	Application assessment					interview (0-20)	Practical		Total mark (100)
		Category (1-7)	Age (1-3)	education (0-5)	experienced/ skilled (0-10)	Investment capacity with substantiate documents (0-15)		CC score (0-15)	BMT score (0-25)	

Category (1-7):
If applicant from Cat A=7, Cat B=5, Cat C=3, Cat D=1

Age (1-3):
If the age of applicant by to the date of interview falls between

- 31-40 yrs=3,
- 21-30 yrs=2,
- 18-20 yrs=1

Education (0-5):
If the applicant has received an academic degree of

- Higher level education = 5,
- +2 or equivalent =4,
- SLC = 3,
- 5-10 grade = 2,
- Below grade 5 =1,
- Illiterate = 0

Experienced/skilled (0-10):
If the applicants has presented the working experience or skill of a similar occupational sector of

- Have more than 5 yrs experience and skill of L-2 =10,
- Have 3-5 yrs experience and skill of L-1 = 8,

- Have more than 5 yrs experience or skill of L-2 = 6,
- Have more than 3-5yrsexperience or skill of L-1 = 4,
- Have 1-3 yrs experience or skill of L-1 = 2,
- Have no experience or skill = 0

Investment capacity with substantiating documents (0-5):
If the applicant avails the ensured documents of

- Deposition in formal financial institution of more than Rest 300000 and a commitment letter from a financial institution agreeing to provide a similar size loan = 15,
- Deposition in formal financial institution of more than Rest 100000 - 300000anda commitment letter from a financial institution agreeing to provide a similar size =10,
- Deposition in formal financial institution of more than Rest 300000 or a commitment letter from a financial institution agreeing to provide a similar size loan = 8,
- Deposition in formal financial institution of more than Rest 100000 - 300000ora commitment letter from a financial institution agreeing to provide similar size of loan = 5,
- Commitment document for loan from an informal institution = 2,
- No document regarding to the source of investment is available = 0

Interview (0-20):

- Commitment for enterprising and job creation =10
- Family background/support =5
- Future vision and present preparation for enterprising =5

Career counseling (0-15):

- Already has experience or is skilled in similar occupational sector and does not need to undergo a career counseling = 0-15,
- Participated in career counseling and recommended for preferred career path related to the trade group =0-10 (will be referred in the agreement with of RO of CC)

Business motivation (0-25):will be referred in the agreement with of RO of BMT

- Found related capacity on risk taking =0-7
- Networking capacity =0-8,
- Managerial skills =0-10,

Annex 6: Activities and tentative time plan

SON	Activities	Implementation Cycle																	
		Month 1				Month 2				Month3	Month4	Month5	Month6	Month7	Month8	Month9	Month10	Month11	Month12
1	Signing the agreement																		
2	Announcement, collection of applications and pre-selection by T&Es																		
3	Career counselling Training																		
4	Business Motivation Training																		
5	List of potential entrepreneurs finalized																		
6	Technical training and business plan preparation																		
7	Exposure visit and its arrangement																		
8	On-the-job training																		
9	Skills testing																		
10	First instalment payment																		
11	Business registration or enterprise start-up																		
12	Tools support to graduates																		
13	Linkage to financial services																		
14	Second instalment payment																		
15	Support through business clinic																		
16	Job creation																		
17	Final settlement of payment																		