



## NEPAL: AN INNOVATIVE FRANCHISING MODEL FOR PRACTICE ORIENTED VOCATIONAL TRAINING

The Swiss Agency for Development and Cooperation (SDC) has supported the introduction of an innovative business model, a variant of a franchising model, in the vocational training sector in Nepal. Private sector organizations have provided training and job placement services to around 25'000 young people. Over 80% of them have found gainful employment or self-employment. The programme targets young women and men from economically poor and socially discriminated groups. Through SDC and HELVETAS Swiss Intercooperation, additional funding has been attracted from the Government of the United Kingdom and the World Bank.

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### The Swiss Agency for Development and Cooperation SDC: A long-term and innovative partner

The landlocked country of Nepal, famous for its Himalayan mountain range, remains one of the poorest and more fragile countries in the South Asian region. Although the 10-year long civil conflict between the Maoist rebels and the government ended in 2006 with the signing of the Comprehensive Peace Agreement and Nepal was declared a Federal Democratic Republic in 2008, the situation remains tense.

Poverty is widespread in Nepal. Out of 30 million people, around half live with less than USD 1.25 a day. Poverty is particularly common in the rural areas and among large groups traditionally excluded from the social, economic and political life in Nepal. They include women, socially discriminated castes and ethnic groups

like the Dalits and Janajatis. Youths from these groups find it particularly difficult to enter the labour market, also because access to skills training remains extremely restricted and is generally reserved for those who have completed ten years of general schooling with a school leaving certificate. Due to the lack of vocational training opportunities, the fragile political situation, and limited economic activity and growth, young Nepali women and men continue to engage in low-paid, part-time work in the informal economy. Or they seek a better future abroad, generally as unskilled, low paid labourers in India, Malaysia or the Gulf countries.

Switzerland's development cooperation with Nepal has always put much emphasis on people's technical and vocational education. This began in the 1960s when Swiss experts taught their Nepali counterparts the art of cheese making. Over the last five decades, Switzerland has provided support to the country's endeavours to build up a system for technical and vocational education and training<sup>1</sup>. During the last 10 years, Switzerland has focused on supporting the provision of non-formal skills training in rural areas. These training courses are not necessarily provided in a classroom, but in more mobile settings such as a local school, a community hall or a private shelter. They concentrate on imparting practical skills that are in

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1 This included the establishment of the Mechanical Training Centre Balaju, today called School of Engineering and Technology, the Jiri Technical School and the national Training Institute for Technical Instruction (TITI); support to the development of the Council for Technical Education and Vocational Training (CTVET) responsible for policy, coordination and quality assurance; and support to the National Skill Testing Board (NSTB) responsible for skill testing and certification.

immediate demand on the labour market. And finally, these training courses target the vast number – majorities indeed – of youths who have left school early without a complete education.

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### Franchising Skill: From a pilot project to a successful business model

In 2002, the Swiss Agency for Development and Cooperation (SDC) started its support for the set-up of a pilot project called *Franchising Skill (F-Skill)*. The objective was to complement the technical education and vocational training system with components of a non-formal training system more directly driven by labour-market needs and private training providers with a capability to expand skills training for disadvantaged youths. The F-Skill trainings are generally of 2–3 months duration and have a strong focus on practical skills. In 2007, the pilot project came to an end and F-Skill was transformed into a private company operating as a franchisor, F-Skill (Pvt.) Ltd. working through 15 franchisees in different parts of Nepal to train and accompany people into jobs and income-earning activities. The franchisees use and pay for the services and brand of the franchisor: Expertise to design and deliver training courses and support services for self-employment. The following diagram depicts how the franchising system for vocational training in Nepal works.

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**Before (initial situation)** →

Poor young people, especially from socially/ethnically marginalized groups, including women, are unemployed or underemployed.

There are opportunities for income generating activities or small business start-ups.

Enterprises lack workers with skills and knowledge, which hampers their production or capability to provide services.

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**Project intervention** →

Young people are trained and provided with employment support from the Franchisees, which are qualified training institutions.

**The Franchisees:**

- Conduct rapid appraisals of local job markets
- Select and train trainees
- Assist trainees to find a job or start their own economic activity.

**The Franchisor (F-Skill Ltd):**

- Develops employment and income generation strategies, designs curricula, training manuals etc. and trains trainers
  - Selects and trains the Franchisees
  - Monitors and follows-up with Franchisees and trainees.
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**After (result)**

Poor young people are gainfully employed or have successfully opened their own businesses.

Enterprises employ workers with particular skills and knowledge contributing to better productivity and quality of products/services.

The market for skills training is stimulated: More institutions offer training and employment services of a better quality.

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The Devotee Trade Centre (Pvt.) Ltd. portrayed in the box below is a concrete example of a training enterprise working under a franchising arrangement with F-Skill (Pvt.) Ltd. It concentrates on one single trade suited for trainees with low formal educational qualifications, i.e., brick moulding. The woman in photo 1 received her qualification in the Devotee Trade Centre.

**Box 1: Devotee Trade Centre** conducts training in only one trade, the brick moulder trade in and around Kailali district in the Terai region. Brick moulding is one of the shortest training courses and very popular amongst the illiterate communities and former bonded labourers (Kamaiyas). Since the signing of an agreement with F-Skill in 2004, *Devotee Trade Centre* has provided training to more than 3000 participants, men and women. Before starting the training, the franchisee generally makes an agreement with a brick entrepreneur stating that he will provide trained workers for that particular entrepreneur. This agreement ensures that after completion of training, participants get employment. With the boom in the construction sector and the high demand for bricks in the country, the demand for skilled brick moulders is high. During the brick making season (September to May), a trained brick moulder earns around Rs. 9,000.- (110.- Swiss Francs) per month. In comparison, the minimum wage in Nepal's formal economy is set at RS 4'600.- ( 58.- Swiss Francs) per month.



**Photo 1: Woman brick moulder in the Terai region of Nepal**

F-Skill as a training and employment model has rapidly increased its services: F-Skill franchisees have been providing training to underemployed or unemployed young people from 67 Districts of Nepal (out of a total of 75 Districts) in 42 occupations. These include electrician, shoe maker, carpenter, hairdresser and many more. From 2003 to 2007, a total of 2'900 peo-

ple were trained. The number increased to 7484 in the year 2008 before receding to 4785 in the year 2010 for reasons of lower levels of funding during that year. F-Skill and its franchisees have become one of Nepal's leading private businesses in the provision of high quality services to those most in need: marginalized youths.

## Targeting and supporting those most in need

Equality irrespective of economic, ethnic, social or gender background is a core value of the Swiss development cooperation. Supporting and targeting those who have traditionally been excluded from Nepal's economic and social development is also an important strategy and contribution to a positive transformation of the country's political and social conflict. By social conflict is meant the struggle of the marginalized groups (people of discriminated casts/ethnic groups) and women to fully participate in the economic, social and political arenas. Therefore, F-Skill training and employment services are primarily provided to disadvantaged youths. All F-Skill trainees come from economically poor families and are without a formal school leaving certificate. Poor women account for around 42%, Janajatis (ethnic groups) for 72% of all trainees. "Differential pricing" is instrumental to reaching these target groups, i.e. paying a franchisee a higher fee for the training of poor women, i.e., Dalits (youth from a discriminated cast) and Janajatis (youth belonging to an ethnic group).

Photo 2: Women in electrician training



As in most parts of the world, women in Nepal find it particularly difficult to participate in skills training, and they often encounter numerous obstacles when entering the world of work, whether as self-employed or in formal employment. For example, women are expected to work at home, and to care for their children and family rather than enrolling in training. The career of Ranjita Lama described in Box 2 is a case in point.

### Box 2: The case of Ranjita Lama

Ranjita Lama (24 years old) from Dolakha district, left school when she was in class seven because of the pressure from her family, who wanted her to work in the paddy fields and at home. Three years ago, however, she secretly enrolled in an F-Skill thanka painting training. Although her parents were not very supportive in the beginning, Ranjita concluded the 6-months training course and together with some of the other trainees, moved to Kathmandu to work as a thanka painter, an employment that the F-Skill partner franchisee had facilitated for her. Ranjita has already been working there for three years. Her monthly salary has increased from an initial Rs. 3,000 (38.- Swiss Francs) to almost Rs. 8000 (100.- Swiss Francs). Today, Ranjita saves half of her salary every month. She supports her family in the village, but has also put some of her savings in a cooperative bank. Her dream is to open her own thanka painting business one day.

If women are allowed to work, they are often expected to engage in trades that are perceived appropriate for women such as embroidery or handicraft making. In response, F-Skill has been encouraging women to engage in occupations largely reserved for men, including electric wiring or small vehicle driving and repair.

### Accounting for results: Linking skills training with employment or self-employment

Results and success in F-Skill are not only measured by the number of poor participants of disadvantaged groups having undergone a relevant training course and passed a test, but in terms of their actual wage or self-employment and earnings. To ensure that the trainees have the skills, attitudes and knowledge demanded in the labour market, the franchising model builds upon a set of approaches and methods:

- Franchisees are mostly private businesses and are well informed about local labour market realities. Beyond that, there is a need for them to update the analysis of the job market on a regular basis. F-Skill (Pvt.) Ltd., the franchisor, provides regular training to its franchisees on how to conduct the mandatory rapid labour market appraisals. This allows the franchisee to assess what skills are demanded, by whom, when, where, etc.
- The franchising model works with a particular payment modality which is called "impact financing". This modality implies that the F-Skill franchisees are only paid the full amount of money if the trainees are working in their own income generating activity or business, or with an employer and earn a minimum income per month. The franchisor F-Skill (Pvt.) Ltd. monitors whether trainees are working and earning such a minimum income after 3 months and after 6 months of the training. This means the franchisees have a strong interest in supporting the trainees beyond the training period, and link them to potential employers. In occupations such as cook, waiter or waitress or carpenter, franchisees have helped trainees to increase their



employability through further “on-the-job training” in their own or an employer’s business. One franchisee that has been successfully linking trainees to his own business in the area of arc welding, thereby effectively conducting an apprenticeship training, is the Radha Technical Training Centre (Pvt.) Ltd. portrayed in the following box.

**Box 3: Franchisee as training provider and employer running apprenticeship training**

The Radha Technical Training Centre Pvt. Ltd. (RTTI) has been working with F-SKILL since 2009. This franchisee is unique in the sense that it provides the training as well as the employment for training participants. RTTI provides training in the arc welding trade. After completion of training, all of the trainees are provided with employment by the franchisee. All of the training is provided in the RTTI factory premises in Bhaktapur. RTTI is a sister concern of Radha Structure and Engineering (Pvt. Ltd.), one of Nepal’s biggest companies working in the design, fabrication and installation of steel structures. It has a number of ongoing projects related to bridge building, construction of communication poles, etc. The employment rate for trainees trained by RTTI is high (85%). A few leave for overseas employment, but the majority of trainees prefers to work in Nepal.

- Business support is particularly important for around 60% of the trainees who, out of their own choice or (in most cases) for lack of formal wage employment, start their own income generating activity or micro enterprise. Franchisees provide information and advice on how to develop such an activity. This includes support on assessing markets, on how to attract customers, calculate and manage expenses and incomes, etc. Given that many trainees are in need of a start-up capital, some franchisees have also started linking trainees to local cooperative banks to access credit and other financial services. However, access to credit remains a challenge for many self-starters, particularly for those who do not have any sort of collateral (security for the bank, such as land).



**Photo 3: Ex-electrician trainee running his own shop**

- Trainees not only need technical and business skills and knowledge, they often also need psychosocial support to overcome personal challenges such as how to deal with social discrimination or the past conflict. The experience of F-Skill shows that group sessions during training and regular individual meetings and discussions during or after training help young people to improve their well-being and increase their chances to stay in training and employment.

**Box 4: The case of Bahadur Sarki**

Bahadur Sarki (name changed), 21 years old and from a very remote village in Humla, participated in an F-Skill three wheeler driving training course in 2009. Today he drives his own “tempo” around Kathmandu calling for passengers on the route number 14. It is difficult to believe that he is the same person who spent nearly ten years fighting the “people’s war”. As to him, the training completely changed his life: “When I was “disqualified” (i.e. he had to leave the Maoist’s People Liberation Army in the course of the demobilisation process), I felt hurt, angry and depressed. I felt my life was over. However, in the two and half months of training, I was provided with counselling and support from F-Skill besides learning how to drive. As a result, today I earn my own salary through honest means and I am again hopeful about the future”. Due to his more stable situation, Bahadur was eventually able to marry Parbati, a former combatant herself.

## Building a qualification system and alleys for vocational advancement

To ensure that the training courses provided through the franchising system find recognition in the labour market and can become a stepping stone for future professional advancement, the National Skill Testing Board (NSTB) assesses the skills and knowledge of trainees through trade specific tests. NSTB also provides certificates to those who pass the test. This helps trainees to find a job or get admission to further training opportunities. Each F-Skill trainee is given the opportunity to take such a skill test free of charge at the end of the training. The pass rate in 2010 was 82%.

The development of a non-academic qualification system with the involvement of a multitude of (private sector) training providers needs institutions for policy development, coordination and funding, and to promote quality and transparency for trainees, parents and employers. The development of the National Skill Testing Board supported by SDC is one step in that direction and in the much larger task of (re-)building publically accountable (State) institutions following their degradation during more than 10 years of civil war.



Photo 4: Woman showing her skills certificate with pride

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## **The way forward: Keeping up innovation and scaling up best practices**

Following the first phase of the project (2003 – 2007), over 86% of F-Skill trainees were found in gainful employment after six months of training completion. An independent tracer study conducted in 2007 confirmed the high employment rate. Despite these positive results, F-Skill and its franchisees have to constantly review the relevance and quality of their services. Challenges include the risk of market saturation in certain trades (e.g. to have too many beauty parlours or carpenters in one location) or that new skills are needed so that the trainees remain competitive (e.g. teaching new designs in embroidery training to respond to changing customer tastes). Best practices also need to be constantly identified and passed on to the different franchisees. An example is the introduction of on-the-job training in mechanical workshops or restaurants to complement training taking place in class rooms or closed workshops. This has helped trainees to find jobs.

Moreover, there is a need to continue investing in the marketing of the brand F-Skill and in taking advantage of new market developments. Due to the increasing number of Nepali men and women having to go abroad for gainful employment (around 800-1000 are leaving the country each day in 2011 by air alone), the provision of tailor-made pre-departure skills training for migrant workers (e.g. in scaffolding, carpentry or masonry) is one such development. Semi-skilled workers earn 25-30% more than unskilled labourers. In pre-departure training courses, migrants also learn how to care for their families left back in Nepal, and how to protect themselves against fraud and exploitation in their destination countries.

In Nepal, around 350'000 young people enter the labour market each year. In order to meet the demand for skills training and increase its supply, various training models are relevant and need to be capitalised upon. The franchising model is certainly one of them. Considering the positive experiences made, some of F-Skill's approaches and modalities are being expanded through a new multi-donor fund managed by the NGO Helvetas Swiss Intercooperation: The Employment Fund (EF) pays private sector training providers (one of them being F-Skill (Pvt.) Ltd. acting as franchisor and direct training provider) for delivering mobile, short-term skills training and employment services to disadvantaged youths. During the period 2011-2013, the Employment Fund will manage the training of a total of 44'000 young people with the financial support of Switzerland, the United Kingdom and the World Bank.

Furthermore, based on the experience in Nepal, Switzerland is supporting the transfer of principles and modalities of a franchising system to Mali, West Africa. The lessons learnt from Nepal and Mali will help us to further assess and report on how the franchising model in the sector of vocational training can provide marginalized youths with better employment perspectives.

### **Links**

SDC: [www.sdc.admin.ch](http://www.sdc.admin.ch)

SDC Nepal: [www.swiss-cooperation.admin.ch/nepal](http://www.swiss-cooperation.admin.ch/nepal)

Employment Fund: [www.employmentfund.org.np](http://www.employmentfund.org.np)

F-Skill (Pvt.) Ltd: [www.fskill.org.np](http://www.fskill.org.np)

### **About this Publication**

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