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It's the Employment that Pays Off

Result based Payment Systems in Vocational Skills Development



EMPLOYMENT
FUND investing in nepal's future
Financed by SDC, UKAid & World Bank

Siroco Messerli

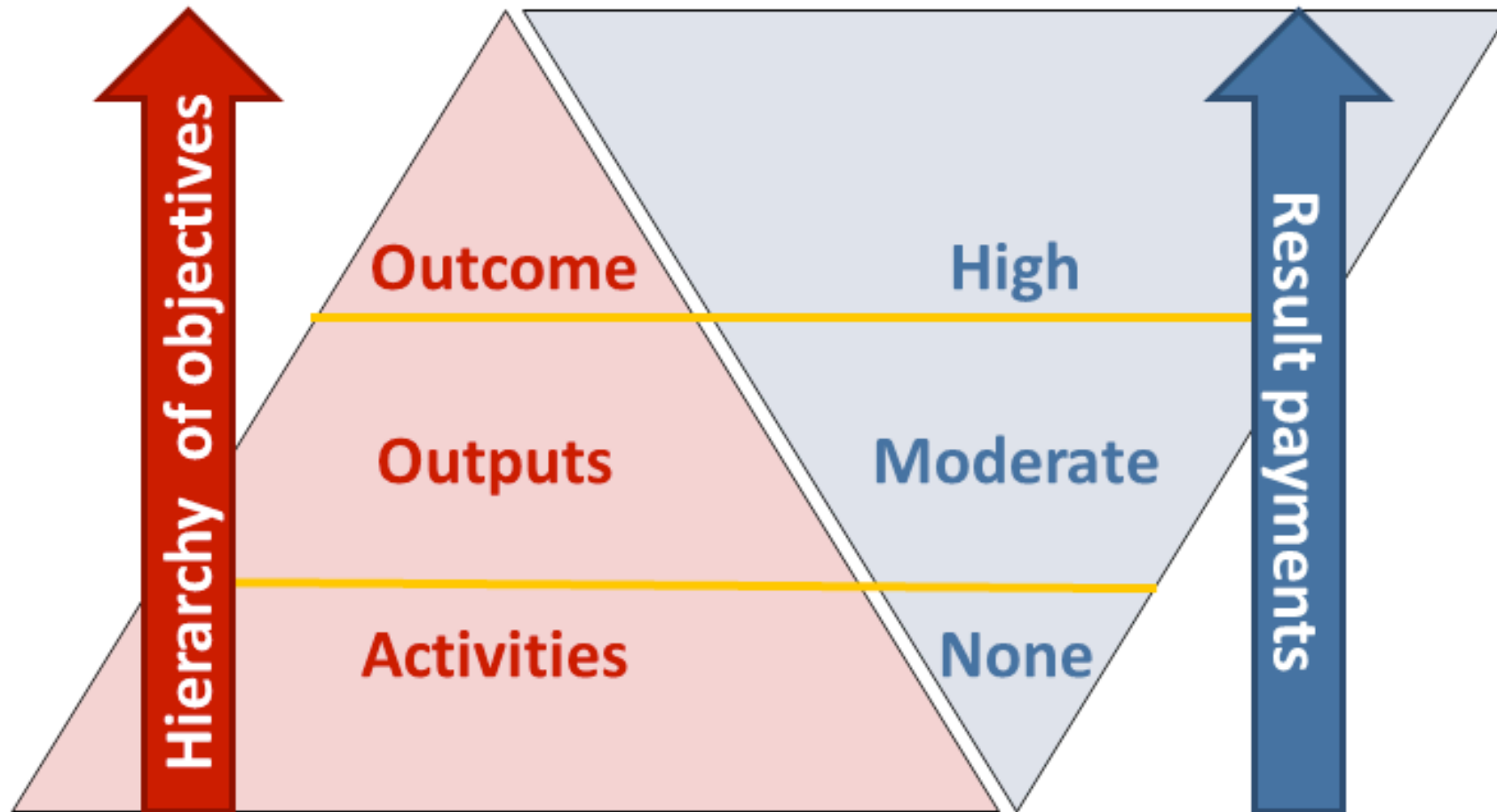
Team Leader Employment Fund

University of Zurich,

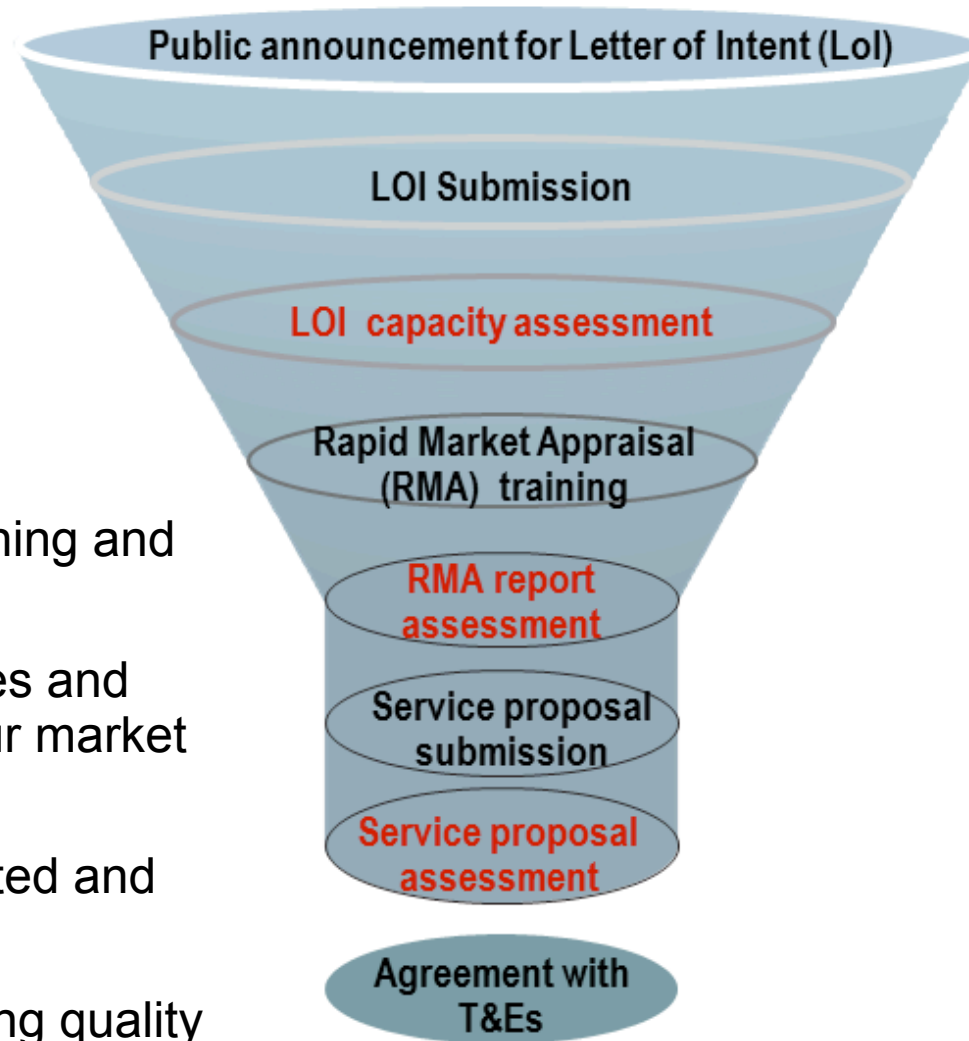
Forum «Innovative VSD Practices»

Zurich; September 13, 2012

Pay for Results, not Activities



Employment Fund: Result-based payments in practice



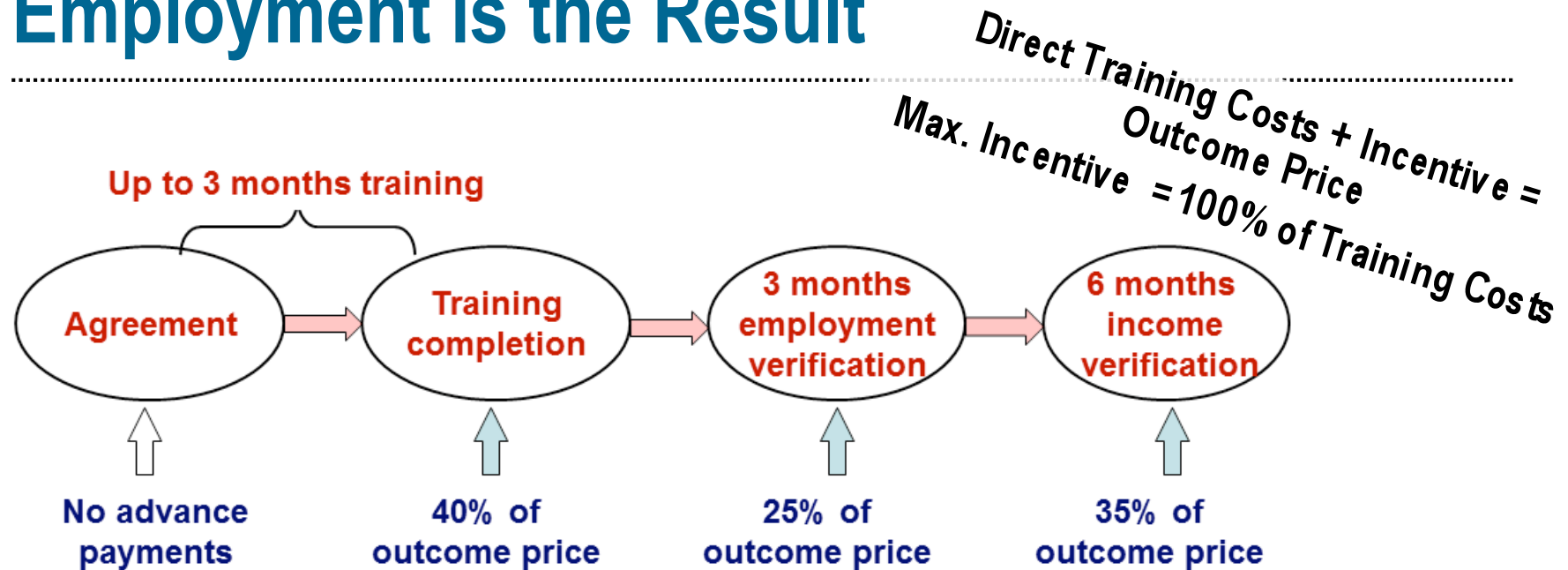
Competitive procurement of training and employment services

Training providers propose trades and trainee numbers based on labour market assessment

Direct training costs are negotiated and outcome prices contracted.

Project randomly monitors training quality

Employment is the Result



- Gainful employment defined by minimum income threshold
- Training providers claim for instalments based on own monitoring system
- Projects verifies employment & income of a sample of graduates
- Differential pricing of incentives ensures prioritisation of disadvantaged groups
- Incentives cover costs for job placement, monitoring, management and outcome-based profit
- No payment for ineligible trainees, drop-outs and those employed below pre-defined minimum income threshold

Preconditions for Success



1. Training providers ready to explore proposed result-based system
2. Institutional roles clearly allocated.
3. Training providers with adequate capacities & labour market linkages
4. Training providers with effective monitoring systems
5. Realistic, clearly defined and measurable expected results

Learning from Experience

- Job placement > ultimate goal of skills training
- Annual competitive procurement > only best performing training providers are contracted.
- RMA > defines number of trainees in a specific trade and a certain locality
- Target numbers > in relation to implementation capacity of training providers
- Training providers pre-finance the training and employment services > difficult to comply for public and NGO-based training providers.
- Monitoring system > reliable, transparent and trust-worthy.
- Self-monitoring by training providers > combined with sample-based verifications
- Online database > easy tracking of graduates
- Project is client and T&Es are competing > but participatory approaches remain important



Thank you for your attention!