Karnali Employment Programme
Technical Assistance
KEPTA

Employment-led Poverty Reduction in Western Nepal

Demand Pilot – Concept note and workplan

Karnali Employment Programme Technical Assistance (KEPTA)

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List of abbreviations

CEP	Centre of Excellence Project
DDC	District Development Committee
DFID	Department for International Development
GoN	Government of Nepal
KEP	Karnali Employment Programme
KEPTA	Karnali Employment Programme Technical Assistance
KRDU	Karnali Regional Development Unit
MIS	Management Information System
MoFALD	Ministry of Federal Affairs and Local Development
PIM	Project Implementation Manual
PSN	Productive Safety Net
OPM	Oxford Policy Management
TA	Technical Assistance
VDC	Village Development Committee
WCF	Ward Citizen Forum

1   Introduction

TheKarnali Employment Programme Technical Assistance(KEPTA) supports the Government of Nepal(GoN)in developing and testing new approaches to employment-led poverty reduction. In doing so KEPTA supported the GoN in improving the Karnali Employment Programme (KEP) through enhanced designs, systems, processes and operations in order to enable the programme to fulfil its mandate, i.e. to reduce poverty and vulnerability in Karnali. In the first half of 2014, KEPTA supported the KEP inimplementing four Centre of Excellence Projects (CEPs) in Jumla and Kalikot, where the new KEP design was tested.These CEPs operated under special arrangements, as the Karnali Regional Development Unit (KRDU) set aside special funding for the payment of workers and other inputs.

The lessons learned from the CEPs have been incorporated in the new KEP guidelines and will be rolled out by the programme in the fiscal year 2014/2015. Despite the fact that this implies a substantial improvement of the KEP design, there are still a number of issues which need to be considered and tested further. This necessity has led to the implementation of a new pilot.

The Demand Pilot will consist of further tests of KEP processes. It will be implemented in 2015 and will be fully financed by KEPTA, although supported and supervised by the programme and the GoN. This brief note describes the pilot.

2 Demand pilot

2.1 Motivation

According to the current KEP operation the programme provides a supply or project driven support. This means that first the projects are selected and then beneficiaries are identified. However only those who live close to the project-sites, within the 'area of influence', can apply for work. This is based on the notion that the KEP is a community-based programme and therefore participation on the selected KEP projects has been limited to local people and people living in other communities have been excluded. If people from other communities are permitted to work they would have to travel long distances or may have to migrate temporarily. Neither of these are desirable for a community based programme.

However, the fact that only households in the area of influence are eligible means that a large number of families are excluded from KEP participation in any one year. In practice, the KEP implements one or at the most two projects per Village Development Committee (VDC), that reach only a small proportion of the poor in the VDC.It is informally expected that the programme will cover different areas every year and therefore after a number of years would cover most of the locations at least once.

This project driven approach may be appropriate if the core objective is to support communities to produce assets.It is not appropriate if the objective of the programme is to develop a comprehensive approach to reducing poverty and vulnerability through employment.However a key objective of KEPTA support to the KEP is to reorient it towards a social protection programme with the complementary benefits of supporting economic development. This reorientation with the primary objective of providing social protection for the poor and the most vulnerable requires a different approach which these two Pilots will test. We refer to it as the demand driven approach which is intended to respond to the demand for work by locating projects where they are needed most. The underlying assumption is that the demand for employment represents the social protection need. We use the example of the Mahatma Gandhi National Rural Employment Guarantee (MGNREGA) in India to illustrate the principles of the demand driven approach before outlining the approach proposed for these twopilots.

A demand driven approach consists of a process which reverses the supply driven or project based approach. It starts with the demand for work and then employment is created to meet this demand. Programmes under this approach operate as a sort of social insurance or safety net that households can rely on during hardships which for many households in a region such as Karnali may persist over many years. The largest on-demand employment programme in the world is the MGNREGA in India which aims to provide basic social security to India's rural poor by offering 100 days of guaranteed waged employment to every rural household which wishes to take advantage of it. Work should be available to anyone who demands it within 15 days of an application to work being received, and where this is not done the state government is liable to pay an unemployment allowance. The programme has been innovative in taking a rights-based and demand-driven approach. In sum, on-demand employment programmes like the MGNREGA supplement the livelihoods of participants through work at a time which is of their choosing.

Consequently, in order to be a comprehensive and effective social protection policy, the KEP needs to move away from a supply driven approach towards an on-demand one. However, designing and implementing a fully demand driven approach poses a number of challenges not least because of the high demand for work where the social protection needs are the most acute, the management and technical capacity needed and resource limitations. Therefore the demand

driven model to be piloted is more limited than the full demand driven model of the MGNREGA. Nevertheless, it is consistent with the reoriented KEP.

2.2   The pilot

The KEP, with the support of KEPTA, will test elements of an on-demand employment programme. The objective of the pilot is to generate and collect evidence about this new approach, which would feed into the reorientation of the KEP and the broader policy debate.

The pilot will test a sort of hybrid model instead of a pure on-demand approach because:

1. A programme that guarantees work on demand requires a strong commitment from the government. This pilot will influence the policy debate and may lead towards the consensus about a pure on-demand approach. However, at this stage, the consensus and commitment are still not there;

2. The programme does not have enough funds to guarantee work to whoever demands it;

3. The KEP does not have the capacity yet to offer work whenever it is required and for the duration needed.

The Demand Pilot is therefore a hybrid model in the sense that it will testsome elements of a pure on-demand approach. In particular:

• the programme will first identify the level of demand for work in all parts of the pilot VDC and will then offeremployment in order to meet a proportion of the demand;

• suitable labour intensive projects to provide sufficient work based on anticipated demand will be technically surveyed and pre-selected, and

• selection of projectsfor implementation will be driven by the demand for work.

An important difference between the hybrid model to be tested and the full on-demand model is that not every household that demands work will have access to work in the hybrid model. As already mentioned, the KEP does not seem ready yet to adopt an ambitious rights-based on-demand approach. However, this pilot will constitute a first step in that direction, by capturing the demand and then selecting beneficiaries based on poverty criteria and community prioritisation.

The approach will be tested in two VDCs, one in Patarasi (Jumla) and the other in Mehalmudi (Kalikot). They will employ a maximum of 300 households each and will offer 60 days of work.According to the census (CBS, 2011) a total of 625 households live in Patarasi and 816 in Mehalmudi. Although these estimates will need to be updated by the team, the pilot will cover approximately 48% and 37% of households respectively. Naturally these percentages will be much higher if only eligible households are considered.

The next sections describe how the pilots will operate.

2.2.1   Demand identification

Since the KEP is not ready yet to absorb all the demand for work, such demand will need to be restricted. In this sense, the same process as in the regular KEP operations will be applied in order to filter the applicants and select only some of them. This prioritisation process consists of a selection done by the Ward Citizen Forums (WCFs) and community members based on criteria

developed by the programme (see the KEP Project Implementation Manual). This process has been designed in order to allow communities to identify the poorest households with labour surpluses.

i. Self-targeting

As in the regular KEP, after the programme is disseminated in the communities eligible households are invited to apply. A household is eligible if it meets the age and residency criteria (see the KEP Project Implementation Manual).

The output of this stage is a list of applicants by ward. The important difference between this hybrid approach and the current KEP model (and the CEPs) is that while the demand identification in the current model is in the relevant wards after the projects have been identified, in the hybrid model to be tested, the demand identification will be in all the wards in the VDC.

ii. Community-based prioritisation

The programme allocates a quota to each ward. This quota is calculated from the number of eligible households which have registered and a percentage figure common to all wards in the VDC. The percentage figure is calculated from the intended coverage (300 households)[1] and the total number of households in the VDC.[2]

The WCFs prioritise the applicants based on the poverty criteria described in the KEP Project Implementation Manual, identifying the number of households required to meet the quota.

Then, following KEP protocol, WCFs call for community gatherings where the criteria, quota and lists are presented. Communities need to reach consensus in relation to the lists to be submitted.

2.2.2 Project selection

Another important difference between the demand driven approach and the conventional KEP (and CEP) operation is that the number of projects required and where they are to be located will be determined by the demand for work by ward.The identification of projects in the hybrid model will start at the same time as the targeting of beneficiaries. Based on the maximum coverage at VDC level (300 households) and information on the ward and VDC populations, fairly good estimates of the geographical distribution of workers can be produced to guide the project selection.

KEPTA technical team will start by reviewing the projects in the VDC and DDC plans and conducting rapid technical and social assessments.

It is likely that the team will need to search for projects beyond the ones in the plans.

i. Number of projects

These will be determined by the technical team based on the types of projects identified, the estimated number of workdays they are likely to generate and the geographical location of the wards. In order to reduce the burden of the implementation, projects that cover more than one

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[1] Admittedly, this approach limits the capacity of the programme to reach the poorest of the poor. Since standards of living differ between wards, prioritising the poorest X percent per ward does not translate into capturing the poorest 30% at VDC level. However, since VDC level prioritisation is not feasible due to lack of resources and information, the proposed seems the best alternative.
[2] As noted above, if the populations in Patarasi and Mehalmudiare 625 and 816 respectively, the relevant proportions would be 48% and 37% respectively. However, the latest local information on number of households should be obtained to calculate the percentage figures to be used.

ward will be prioritised. In cases of very remote wards with small populations, small projects may need to be identified.

ii. Types of projects

KEPTA technical team will identify projects following the priority areas indicated in the KEP guidelines. However a demand model needs to be based not only on projects that can be implemented across wards and use a significant number of workers, but also small projects to be implemented in remote areas to meet the local demand for work in such areas. Moreover, since a menu of possible projects are identified from which selection is made after the exact number of work days are defined, it is important to select projects that can be relatively easy to plan and adjust the amount of work required.

Some types of projects to explore are:

- Improvements and maintenance of roads and trails which could be relatively easy to plan by adjusting the length over which work is carried out;

- Multi-year projects – The approach tested in this pilot allows for multi-year projects. Since all wards within a VDC are covered, the KEP does not require to find projects in different locations over the years to cover different wards. Consequently, multi-years projects can be selected, where work starts in one year and is completed and maintained in the following years.

- For remote locations with small populations, more localised projects such as drinking water and irrigation watershed improvement, rainwater or snow harvesting, irrigation canal improvement, apple orchards and their irrigation systems, among others, could be selected.

2.2.3 Implementation

Once the projects and workers have been identified, the rest of the processes are implemented following KEP standard processes (see KEP Project Implementation Manual).

3   Workplan

The Demand Pilot will be fully financed and implemented by KEPTA, although in close collaboration and under the supervision of the KEP. However, since the intention is that the programme could eventually adopt this model, if successful, and implement it without external support, KEPTA will run the pilot with the same staffing and resources as in the 2014/2015 CEPs.

Even though the intention of the demand approach as of the standard KEP is to offer employment during lean seasons, particularly during winter, due to time constraints the implementation of the pilot will start in February 2015.

Table 1   Workplan

	Dec-14			Jan-15			Feb-15			Mar-15		
Preparations (recruitment, procurement, training, etc.)	█			█								
Awareness raising					█	█						
Applications		█	█				█					
WCFs prioritisations			█					█				
Community validations			█	█				█				
VDC approval of the list of beneficiaries				█								
Preliminary assessment of VDC and DDC plans	█	█	█									
Search and assessment of other projects												
Survey, design and estimation				█	█	█	█					
Projects approved by DDC												
Registration of workers												
MIS entry and job card production				█	█							
Worker orientation							█	█				
Formation of the Project Implementation Committee							█	█				
Project Kick-off										█	█	

Depending on the assessment and results of this experience, further piloting maybe required in the year 2015/2016. Alternatively, the GoN could decide to take up this hybrid approach without further tests, by modifying the operational guidelines, or could decide to dismiss it.

4   Further piloting

The demand pilots will test other processes and systems apart from the hybrid on-demand approach. These are:

Employment Fund: Currently all funds for KEP are being channelled through the general structure of DDC and VDC as any other development programmes. In the implementation ofthe CEPs in Phase 1 of KEPTA, it was found that this process does not fully allow for optimal and transparent implementation. As a result the concept of creating 'Employment Fund' has evolved and is being tested in demand pilot projects, so that the overall management structure and operational guideline could be developed and suggested to the government as policy inputs.

To start with, the following procedural steps will be followed in demand pilot VDCs to manage the wage funds:

- The wage fund will be deposited in the District Development Fund (DDF) account within DDC.
- A separate 'Employment Fund' ledger will be maintained to manage the fund and this will be 100% 'ring fenced' for use of wage only in KEPTA Demand Pilot VDCs.
- DDF will transfer the funds to the special bank account opened for electronic cash transfer to the workers. KEPTA technical team will be responsible to develop the fund transfer schedule and will be approved by KEP Unit/DDC.
- The fund release will be subject to submission and approval of the running bill, attendance records (muster roll) and other supporting document.
- In terms of procurement of construction materials, Project Implementation Committees will demand the quantity of materials with the help of the Technical Cluster Facilitator. Moreover the TCF will negotiate rates and finally KEP and KEPTA will define the.

Electronic cash transfers: Payments will be delivered using the branchless banking methodology and relying on a private bank. It is expected that this initiative will increase the efficiency, transparency and safety of the payment process.