

**GEO 511: Master Thesis**

Department of Geography, University of Zurich

## **The role of the private sector in vocational training development projects**

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An actor-oriented approach to a public-private partnership in Nepal: the Employment Fund

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## Summary

This master thesis analyzes the role(s), influence and power of the private sector within development projects with a special focus on education and vocational training. It does so by examining the relationship between the for-profit (private) and non-profit (public) actors of a Public-Private Partnership within a special case study: the Employment Fund Nepal.

The Employment Fund (EF), which is operated by HELVETAS Swiss Intercooperation, aims at integrating socially and economically discriminated youths into the national job market by providing them with short-term vocational training and job seeking support. This task is accomplished by integrating so-called private Training and Employment Service Providers (T&Es) into the project. They deliver their services under the guidance and according to the rules and regulations of the Employment Fund Secretariat (EFS). The project especially focuses on women, Dalits, Janajatis, ex-combatants and other disadvantaged groups.

In 2015, the University of Zurich (UZH), Switzerland, cooperated with the Research Inputs and Development Action (RIDA), Nepal, to conduct an impact study of the EF. Semi-structured interviews with beneficiaries, T&Es, EFS staff, donors and other stakeholders were conducted. The findings of this thesis are partly based on the primary and secondary data collected during this impact study.

In this thesis it is asked whether there exist any conflicts of interests and values between the T&E as for-profit actors and the EFS as a non-profit actor and whether these have any influence on the project's processes, outputs and outcomes. To answer these questions the study draws upon the following sub-questions:

- Which regulations of the project are specified by the EFS?
- How do the T&Es interpret and react to these regulations?
- How free are the T&Es in their options for action within these regulations?
- In which way do these regulations define the relationships between the EFS and the T&Es?
- What kind of power do the private actors have within the EF and how do they use it?

The T&Es play an essential and indispensable role within the Employment Fund: They are responsible, among others, for reaching the target groups, implementing the training, and ensuring gainful employment for their graduates by providing them with linkages to employers or credit institutes. In return, the EFS supports the T&Es' capacity building. Furthermore, the T&Es receive result-based payments varying according to the category to which a trainee belongs, as well as to the number of trainees graduating and the number of graduates finding gainful employment. The implementation by T&Es is closely monitored before, during and after the training by Monitoring Officers of the EFS.

To gain an in-depth understanding of the role of T&Es within the EF and the relationship between T&Es and the EFS, this study bases its analysis on the concept of the actor-oriented approach to assess how actors give meaning to their experiences and transform external interventions into their life, i.e. how T&Es interpret and implement the policies of the EF into everyday practice, to which extent and how they influence the EF/S and vice versa.

It further focuses on the following five types of power: relational power (being able to influence social relations), institutional power (having various forms of capital), dispositional power (having resources such as knowledge, money or weapons), organizational power (achieving something by, for example, rules and bargaining) and discursive power (achieving something by drawing on knowledge, story lines, discourses and alike).

At first sight, the EFS seems to possess far more power than the T&Es and, hence, influence over the project's outcome. There is little room left for the participation of the private partners in the formulation of project policies and guidelines. Furthermore, as the T&Es have to make the initial investment and the EFS, additionally, possesses too many financial resources to experience severe losses if one T&Es drops out, the risk is disproportionately higher on the side of the T&Es. The EFS, thus, possesses a high degree of institutional and organizational power. That leads to T&Es following the EFS' guidelines (at least at first sight) as they depend on the EFS' financial resources - although they might not agree with them.

The T&Es are the sole implementing actors and necessarily know more about the project's implementation into practice. The EFS developed a thorough monitoring system, yet, as the number of EF staff members is relatively small compared to the EF's outreach, it is not possible for them to verify and control every action of each T&E, leading to the T&Es possessing much dispositional power. T&Es, additionally, possess knowledge about local markets as well as about local economic, cultural and social realities. They probably have better relationships and business connections to potential employers and creditors than the EFS which is located far away in Kathmandu. The T&Es therewith especially possess relational power.

Yet, this power is limited or might possibly not be fully used because of the T&Es dependency on the project's resources and because of the organizational and institutional power of the EFS. The T&Es might be too worried about the consequences if they violate the rules and regulations to actually and fully exploit their dispositional power as an early termination of the contract and the partnership might have much more severe and existential consequences for the T&Es than for the EFS.

This clearly contains some conflicts of roles and interests: While the T&Es fulfill important and essential tasks within the EF and are indispensable partners for the implementation of the project they are controlled at almost every step they take. Their limited agency and their lack of

possibilities for relatively spontaneous reactions on economic and market demands as partners of the EFS might lead to a decreased competitiveness of the T&E and contradicts the main principles and criteria of the private sector.

In general it can be said that the EF has been very successful. But after this thorough analysis the question arises whether it could even be more successful – concerning the Public-Private Partnership – if the private actors would have been more involved as partners into the project's formation and the formulation of goals and guidelines. Also, the intrinsic motivation of the T&Es should be more closely examined concerning its compatibility with the overall project's goals and could possibly be regarded as a recruitment criterion. The impact study and this thesis leads furthermore to the question, whether the EF could probably work more effectively if the EFS would put more trust in the T&Es by allowing them more room for maneuver to meet market requirements where necessary and to maintain and strengthen their competitiveness by having more freedom of choice concerning the trade, the target groups, the training program a. o.

The thesis ends with some recommendations for improving the partnership between public and private actors within projects like the EF: Reduce the number of T&Es and extend the contract duration, take the motivation of T&Es to actual reach to the target groups into account, increase the inclusion of qualitative data by inquiring the reasons for unemployed graduates, integrate the T&Es within the development of guidelines, strengthen the relationship between T&Es and increase the flexibility of the time frame.



## Table of contents

Acknowledgement .....	I
Summary .....	II
List of Figures.....	VII
List of Map.....	VII
List of Tables .....	VII
Abbreviations.....	VIII
<b>1 Introduction</b> .....	<b>1</b>
1.1 Subject and scope of the thesis.....	1
1.2 Objective and questions of research.....	4
1.3 Selection and formation of the thesis' subject.....	5
1.4 State of current research .....	6
<b>2 Conceptual framework</b> .....	<b>9</b>
2.1 The actor-oriented approach.....	9
2.1.1 The Principal-Agent-Theory .....	13
<b>3 Research methods</b> .....	<b>14</b>
3.1 Access to the field .....	14
3.1.1 Embeddedness of this thesis.....	14
3.1.2 Selection of interviewees .....	14
3.1.3 Study sites .....	15
3.2 Data collection.....	15
3.2.1 Desk research.....	15
3.2.2 Semi-structured interviews.....	16
3.2.3 Participant observation .....	17
3.2.4 My contributions to the impact study.....	17
3.3 Data analysis .....	18
3.4 Limitations of data basis .....	19
<b>4 The role of the private sector in development</b> .....	<b>21</b>
4.1 Approaching the concept of Public-Private Partnerships.....	21
4.2 Engagement of the private sector in development.....	24
4.3 Public-Private Partnerships in education and training.....	26
<b>5 Nepal: Social inequality and development</b> .....	<b>28</b>
5.1 Cultural diversity and social exclusion .....	28
5.1.1 History: From unification to diversification .....	29
5.1.2 Socio-economic situation .....	33
5.2 The role of Public-Private Partnerships in Nepal.....	38
5.2.1 Public-Private Partnerships in education and training in Nepal .....	39

<b>6 Case study: The Employment Fund</b>	<b>42</b>
6.1 Objectives.....	42
6.2 The EF as Public-Private Partnership.....	42
6.3 Program and results .....	43
6.4 Special challenges for development agencies in Nepal .....	44
<b>7 Dismantling the social interface of the public and private actors within the Employment Fund</b>	<b>46</b>
7.1 Applying the conceptual framework .....	46
7.2 The social interface of T&Es and the EFS.....	50
7.2.1 The selection of T&Es by the EFS .....	50
7.2.2 Guidelines and regulations for T&Es by the EFS.....	51
7.2.3 Monitoring of T&Es by the EFS .....	52
7.2.4 Capacity building of T&Es by the EFS .....	54
7.2.5 The selection of trainees by T&Es .....	55
7.2.6 Implementation of training by T&Es.....	56
7.2.7 Post-training support for graduates by T&Es .....	58
<b>8 Discussion: The distribution of power within the Public-Private Partnership of the Employment Fund</b>	<b>59</b>
8.1 T&Es as partners of the EFS .....	59
8.1.1 The selection of T&Es: Application procedures as instruments of power .....	60
8.1.2 Controlling T&Es through time restrictions .....	63
8.1.3 Non-profit vs. for-profit: Achieving the "common goal" through financial dependency.....	64
8.1.4 Summary: Instruments of power and control within the partnership .....	67
8.2 T&Es as brokers of training and employment .....	69
8.2.1 Selecting trainees: The T&Es' power <i>not</i> to choose .....	69
8.2.2 The implementation of training: Powerful agents in the field .....	72
8.2.3 The challenge of including graduates into the job market.....	74
8.2.4 Summary: The knowledge gap as source of power.....	75
8.3 T&Es as social change makers .....	76
8.3.1 The T&Es' impact on beneficiaries and their communities.....	76
8.3.2 The sustainability of the T&Es' businesses .....	78
<b>9 Conclusion</b>	<b>80</b>
9.1 Recommendations.....	82
<b>10 Bibliography</b>	<b>84</b>
<b>11 Annex</b>	<b>A</b>

**Comment [S1]:** warum werden manche immer fett dargestellt?

## List of Figures

Fig. 1: Process of selecting and reaching to interviewees .....	15
<b>Fig. 2: Types of engagement of the private sector in development.....</b>	<b>25</b>
<b>Fig. 3: Actors and their relations within the Employment Fund.....</b>	<b>48</b>
<b>Fig. 4: Selection process of T&amp;Es.....</b>	<b>51</b>
Fig. 5: Results-based incentive schema.....	54
<b>Fig. 6: Financial expenditures of the Employment Fund between 2010 and 2014. ....</b>	<b>54</b>
Fig. 7: The selection process of trainees within the P2P and MEJC programs.....	56
Fig. 8: The duration of partnerships between the EFS and T&Es .....	64

## List of Map

Map 1: Nepal with its ecological zones and development regions .....	28
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## List of Tables

Tab. 1: Interviews analyzed for the master thesis. ....	18
Tab. 2: Coding schema of interview summaries.....	19
Tab. 3: The caste system .....	30
Tab. 4: Enrolment rates in private institutions in Nepal and Switzerland.....	39
Tab. 5: Categorized target groups of the Employment Fund .....	43

## **Abbreviations**

CBS	Central Bureau of Statistics
CTEVT	Council for Technical Education and Vocational Training
DfID	Department for International Development
EF	Employment Fund
EFS	Employment Fund Secretariat
GON	Government of Nepal
P2P	Path to Prosperity
MEJC	Micro-Enterprising for Job Creation
MO	Monitoring Officer
MOE	Ministry of Education
MOF	Ministry of Finance
NGO	Nongovernmental Organization
NSTB	National Skill Testing Board
OJT	On-the-Job-Training
RIDA	Research Inputs and Development Action
SDC	Swiss Agency for Development and Cooperation
SLC	School Leaving Certificate
TSLC	Technical School Leaving Certificate
T&E	Training and Employment Service Provider
TVET	Technical and Vocational Education and Training
UZH	University of Zurich
WB	World Bank

# 1 Introduction

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## 1.1 Subject and scope of the thesis

Since the 1990s, the private sector has played an increasing role as an important player in the international public development cooperation. Public entities increasingly cooperate with the private sector to reach certain development goals mostly in developing countries, for example providing health care or education to the poor (e.g. Dietz and Dauner 2014, UNDP 2014). These so-called Public-Private-Partnerships (PPPs) are combining the strengths of various actors involved in promoting development. They are a means to stimulate development and to meet the growing concerns about better service provision and greater efficiency by state enterprises and agencies. The PPPs also rise to power because of insufficient investment and limited public resources available to finance needed services (cf. 4.1).

At the same time as PPPs were growing during the last two decades a rethinking took place within the development sector away "from a belief in the importance of projects and service delivery to a language of rights and governance" (Groves and Hinton 2004: 4). Local participation and approaches that prioritize the perspectives of the respective project's target group, as well as partnerships between different actors (e.g. governmental agencies, NGOs, private sector, communities) became increasingly important (Groves and Hinton 2004).

The same authors argue that for a better understanding of the aid system and its outcomes it is necessary to gain a deeper insight into the behavior of the different actors, the choices they make, the strategies they use to pursue their interests, as well as their positions and influences within a certain network. Additionally, it is important to understand the wider context, i.e. the interplay among actors in the system as a whole, as the interplay might lead to outcomes that are not predictable from understanding the individual actors alone. However, international development projects are mostly based on a linear planning of predetermined outcomes (Groves and Hinton 2004). Thus, the analysis of the relationships between the different actors with their varying interests within a project and of the influences of the broader cultural and political context until now have not always been sufficiently taken into account by project managers while struggling for achieving certain outcomes.

Accordingly, this thesis draws upon the actor-oriented approach of Norman Long (2001) enhanced by the power types defined by Bas Arts and Jan van Tatenhove (2004) and the principal-agent-theory by Jensen and Meckling (1976) to analyze the role and impact of private actors within development cooperation. Taking as a case study the Employment Fund, a program based on a bilateral agreement between the Government of Nepal and the Swiss Agency for Develop-

ment and Cooperation (SDC), it deals with the complex relationships within the Public-Private Partnerships of the project and the influences the private actors might have had on the outputs and outcomes of the program.

PPPs gained more and more importance during the last decades within the Swiss development cooperation (cf. SDC and SECO 2015). On the one hand, development agencies cooperate with private sector entities due to the sector's role as driver of economic growth. They "recognize the central role of the private sector in advancing innovation, creating wealth, income and jobs, mobilizing domestic resources and in turn contributing to poverty reduction" (Dietz and Dauner 2014: 2). On the other hand, the private sector started seeking collaboration with development agencies as they expected some kind of investment return, e.g. in form of capital, by getting access to information or to gain a better reputation (ADB 2008, Dietz and Dauner 2014).

Starting in the 1950s with the support of livelihood programs in rural areas and vocational skills development, Switzerland cooperated with Nepal for the promotion of development ever since the South-Asian country loosened its almost complete isolation from the rest of the world. Since 1963, Nepal is a priority country for Swiss development cooperation and since 2005, Switzerland has additionally been engaged in peace building, human rights and state building activities (SDC and DP 2013).

One of the core working areas within the Swiss-Nepali development cooperation is the development and training of vocational skills. Until the 1990s, Swiss development agents who engaged in the vocational education and training sector focused primarily on promoting the formal education system of Nepal. Due to the exclusive nature of the education system, mainly high caste urban elites benefitted from this approach - leaving behind a majority of the population. In the second half of the 1990s, the Swiss Agency for Development and Cooperation (SDC) shifted its focus from the inefficient support of public institutions to the youth and adolescent persons entering the labor market without (sufficient) skills. Since then, partnerships with private actors providing short-term vocational training, tailor-made to respond to the needs of the target groups as well as to the needs of the labor market, are of particular relevance within Swiss-Nepali development cooperation (Jäger and Stricker 2007).

A project based on such a partnership with the private sector is the above mentioned Employment Fund (EF) which is operated by HELVETAS Swiss Intercooperation (hereafter referred to as HELVETAS). The EF aims at narrowing the gap between the poor and rich population groups by integrating so-called private Training and Employment Service Providers (T&Es) into the project. Their task is to provide - under the guidance of the Employment Fund Secretariat (EFS) - socially and economically discriminated youths with short-term vocational training and job seeking support (cf. 6). The EF provides a very suitable case study for analyzing the role of the

private sector within a development project due to its close cooperation with the private sector and its enormous outreach in Nepal.

As is illustrated later the EF is based on a complex set of rules and regulations guiding and controlling the implementation of the training in detail and defining the aspired outputs and outcomes, including a timeframe to which each actor has to stick to. In addition, the EFS is assessing periodically the project's methods, e.g. selection of trainees, contents and schedules of training programs, additional support strategies for trainees a. o. This supported the project's great success in terms of its sheer numbers of training participants and gainfully employed graduates, as well as an increase of soft skills, e.g. communication skills and self-esteem, among the participants (cf. Hollenbach et al. 2015).

But the private actors implementing the methods are mainly subjected to the monitoring processes and are only partially included in the formulation and implementation of the periodical assessments. That raises among others the question whether their low and late involvement in decision processes especially during the formulation and construction of the project might result in that the specific values and interest of the private partners are not sufficiently taken into account. This could eventually lead to conflicts of interests, to strategies of refusal or even to "sabotage" of the project's aims as private actors try to circumvent or interpret the rules and regulations of the EFS according to their own interests leaving aside the overall project's objectives.

Up to now there hardly exists any research results or project material related to a specific project where one could find discussions of and answers to these essential but tricky questions (cf. 1.4). They are tricky because they are related to questions of power, economic interests and political goals and deal with information that might not be easily obtained as informants who are dependent on project's resources might be reluctant to express their critic or to disclose their strategies for pursuing their own interests. This indicates an important task for future research about the impact of individual - especially private - actors on the overall results of the EF or comparable development programs.

This thesis provides a very first step to contribute to this research by analyzing the role of the private sector within a development project in the vocational training sector through examining the role of the T&Es within the EF. However, the partnership between T&Es and the EFS is affected by a number of other societal and political actors (within and outside the Employment Fund) as well as by national and international policies. Therefore some chapters provide references to this wider context in which the EF is imbedded (i.e. background information about Nepal) and with which it interacts (i.e. as social change makers). Though, a complete analysis of the EF and its socio-economic and political context is beyond the scope of this study.

In this first introductory chapter, the subject, objectives and scope of the thesis are unfolded and the state of research as well as the literature used concerning the research questions are presented. In *Chapter 2* the conceptual framework is laid out, i.e. Norman Long's concept of an actor-oriented approach (2001), the power types defined by Bas Arts and Jan van Tatenhove (2004) and the principal-agent-theory by Jensen and Meckling (1976). The actor-oriented approach provides the analytical background for analyzing how actors give meaning to their experiences and interpret external interventions. That is, in this case, how T&Es interpret and implement the EF's policies into everyday practice and to which extent and how they might influence the project's outcome. *Chapter 3* illustrates and discusses the methods which were applied in collecting data and information material for this thesis. As the thesis' data basis is strongly connected with an impact study of the EF, this impact study is explained in more detail. *Chapter 4* deals with the concept of public-private partnerships and the role of the private sector in development and reflects about some chances and challenges that development projects face when drawing upon partnerships between for-profit private actors and non-profit public actors. *Chapter 5* provides some background information regarding the political and socio-economic conditions in Nepal with particular focus on the education and vocational training sector, as well as social exclusion of disadvantaged groups. This chapter serves for illustrating the context in which the Employment Fund is implemented, as an example of a PPP. The EF is then introduced in *Chapter 6*. The special relations within this partnership and the guidelines and rules that regulate this relationships between T&Es as private actors and the EFS as a public actor is described in detail in *Chapter 7*. *Chapter 8* subsequently discusses the various roles and different power positions of T&Es within the EF with regard to the research questions and the conceptual framework. Finally, *Chapter 9* presents some conclusions drawn out of this discussion and offers a few cautious recommendations for a future project design (for the EF and comparable development projects) which could improve the partnership between public and private actors for the deliverance of education and vocational training services for the benefit of the disadvantaged and poorest people.

## 1.2 Objective and questions of research

The main **objective** of this thesis is to explore the role(s) of for-profit actors within non-profit development projects with a special focus on education and vocational training. The objective is approached by analyzing the relationship between for-profit (private) and non-profit (public) actors within a special case study: the Employment Fund Nepal.

The key **research questions** are about the influence and power of the private actors within the Employment Fund. It is asked whether there exist any conflicts of interests and values between the Training and Employment Service Providers (T&E) as for-profit actors and the Employment



Fund Secretariat (EFS) as a non-profit actor and whether these have any influence on the project's processes and outcomes.

To answer these questions the study draws upon the following sub-questions:

- Which regulations of the project are specified by the EFS?
- How do the T&Es interpret and react to these regulations?
- How free are the T&Es in their options for action within these regulations?
- In which way do these regulations define the relationships between the EFS and the T&Es?
- What kind of power do the private actors have within the EF and how do they use it?

The analysis of the Employment Fund Nepal as *one* individual case study may provide an example of how the power relations and the decision-making structures between the non-profit public sector and the for-profit private sector may be of paramount importance for the processes and results of development projects and should be carefully taken into account.

### **1.3 Selection and formation of the thesis' subject**

Towards the end of 2014, HELVETAS Switzerland approached the Human Geography Unit of the University of Zurich (UZH), specifically Prof. Dr. Ulrike Müller-Böker, Head of the Human Geography Unit, and Dr. Pia Hollenbach, associate researcher at the Political Geography Unit, to conduct a qualitative impact study of the EF in cooperation with a Nepali consultancy company called Research Input and Development Action (RIDA). Integrated was the opportunity to conduct master theses along this study. Annabelle Jaggi - my fellow student - and I decided to take this opportunity.

The data and information about the Employment Fund used in this thesis were collected within this impact study (cf. 3.1).

As mentioned above, the EF acts as an adequate case study for analyzing the role of the private sector within a development project due to its close cooperation with the private sector and its enormous outreach in Nepal. The project aims at shaping the lives of many of its beneficiaries and does so by allocating a major share of responsibility to its private partners, i.e. the T&Es. The EFS has an extensive monitoring system at hand to verify and evaluate the T&Es' implementation of the project. Yet, the role of individual actors within the project is often not examined thoroughly. The EF follows a strict linear planning of predetermined outcomes, largely neglecting a detailed analysis of each actor's influence on the project's outputs and outcomes. As stated above, analyzing the role of each actor beyond the simple implementation of guidelines might lead to new insights regarding the factors that influences a project's results.

## **1.4 State of current research**

### **PPPs in development projects**

An enormous amount of scientific literature is discussing the concept of PPPs in general and the potentials of PPPs in international development cooperation in particular (e.g. Wettenhall 2003, ADB 2008, Khanom 2010, IOB 2013, Kaufmann 2013, Dietz and Dauner 2014). Nevertheless, while PPPs within their initial context, i.e. the fulfillment of tasks on the local, state or national level, are increasingly underpinned by positive and negative experiences in practice, the adaptation of PPPs within the context of development cooperation is still in a fledging state. *Empirical* evidence highlighting the actual outcomes of these PPPs for each actor are not to be found (IOB 2013, Kaufmann 2013).

### **Actor-oriented analyses of PPPs within developments projects in the field of education and vocational training**

As mentioned above, evaluations of development projects (not necessarily implemented through a PPP) are often solely focused on outcomes rather than the different actors and their interactions - possibly missing important parameters determining these outcomes (Groves and Hinton 2004). There is a reasonable number of scientific publications addressing the relevance of Norman Long's (2001) actor-oriented approach for the implementation and examination of development interventions (e.g. Bosman 2004, Lewis and Mosse 2006). However, literature regarding actor-oriented analyses of specific development projects is limited. Some papers illustrate and discuss the usefulness of an actor-oriented approach by assessing the network of actors within a development intervention rather than the role of specific actors or they analyze the role of a specific actor for the development of a country/region but not a specific project in detail (cf. Biggs and Matsuert 2004, Emmenegger 2010, Busk and Kessing 2014).

Although Biggs and Matsuert (2004: 2) explicitly mention the applicability of an actor-oriented perspective for analyzing the role of public and private actors as partners within specific development projects, such analyses could not be found in the reviewed literature. The most recent studies of a practical application of the actor-oriented approach are master theses (cf. Emmenegger 2010, Busk and Kessing 2014), though these studies also did not assess PPPs.

As an additional background for this thesis, the studies and materials of Partinos et al. (2009) and Mahmood (2013) about PPPs in the field of education were consulted. Partinos et al. illustrate the role and impact of PPP in education by assessing different ways through which PPP can help countries meet education goals. They mainly refer to impact evaluations of projects funded by the WB, particularly in the Netherlands, Kenya, Mexico, Pakistan and the Philippines.

Mahmood (2013) assesses PPPs at the school level in the province of Sindh, Pakistan, to evaluate the importance of PPP for providing low income families with quality education and training. He/She does so by, i.a., discussing two major programs (the Adopt-a-School Program and Promoting Private Schooling in Rural Sindh program), examining their successes and challenges.

None of these studies analyze in depth the roles of individual actors within the PPP of the described programs and projects nor could there be found any other empirically grounded studies dealing with the outcomes for each actor of PPPs in the field of education and vocational training. All of this might indicate that the actor-oriented analysis of development projects (implemented by PPPs), let alone within the vocational training and education sector, is widely ignored.<sup>1</sup>

### **Actor-oriented analyses of PPPs within developments projects in Nepal: with focus on the field of education and vocational training**

In the case of Nepal the limiting strands converge: PPPs, especially in development projects providing education or vocational training, is a relatively new phenomenon and detailed analyses of such development projects are scarce.

Among the few examples are the Enhanced Vocational Education and Training Project (EVENT), implemented by Nepal's Ministry of Education (MOE) since 2011 and funded by the WB (cf. MOE 2011), and the Micro-Enterprise Development Program (MEDEP) implemented by the Ministry of Industry (MOI) since 1994 and funded by the UNDP (cf. NARMA 2010).

EVENT is based on similar objectives (a. o. increasing the access of disadvantaged youths to quality vocational education and training to facilitate their entry into the labor market) and result indicators than the EF (cf. 6). The MOE cooperates with private actors to provide adequate trainings, but the project differs slightly in their implementation (cf. MOE 2011). Included in EVENT are regular Project Implementation Support Consultations (ISCs) to review the implementation process, i.e. the monitoring and evaluation system, communication and outreach activities, progress made on agreed goals etc., and to identify challenges and opportunities.

MEDEP aims at reducing poverty through the development and support of micro-enterprises owned and operated by low income families. It does so by cooperating, i.a., with so-called private business development service providers (BDSP), who are responsible for providing business management and technical skills training (between five days and three months) for potential

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<sup>1</sup> The definitions of relevant terms (e.g. actor, partnership, development) are extremely broad and several synonyms exist. Thus, a number of papers applying the principles of an actor-oriented approach but not drawing on the notions of Long (2001) might have slipped my attention. Nevertheless, the difficulties in finding relevant papers alone indicate their scarcity.

and existing entrepreneurs. The MOI plans, manages and monitors their activities. In addition, a detailed impact assessment was conducted in 2010 (the first evaluation since the project's start in 1994; cf. NARMA 2010) to assess, a.o., the impact of the program on its beneficiaries, particularly the poor, women, Dalits and Janajatis, and its overall effectiveness and efficiency.

Yet, these analyses concentrate on the impact of the projects, the overall working modalities and/or the relationship between beneficiaries and development agents. The power of individual actors within the projects and their impact on the outcomes is not addressed. Furthermore, despite the extensive monitoring system of the Employment Fund and its regular evaluation of the project itself (cf. 7.2.3), the EF is still focusing first and foremost on the outcomes rather than the interplay between the actors involved in the project.

In summary, there are no explicitly actor-oriented empirical case studies on educational development projects in Nepal. This leads to essential gaps in information and knowledge which is needed in order to analyze power relations and influencing factors within PPP projects in more detail. To better track new projects and to counteract an unhealthy balance of power within projects it is important to know upon which values and goals each actor grounds its behavior and orients his decisions as well as his strategy to pursue his interests.

### **The principal-agent theory as instrument for analyzing development projects**

As the principal-agent theory by Jensen and Meckling (1976) complements this thesis' theoretical framework, the theory's application shall be shortly illustrated here. While there are many studies using the principal-agent theory for analyzing the conditionality contracts between donors and recipients of aid, discussing the relationship between donor agencies and recipient governments (e.g. Piorelli and Scarpa 1992), very few examine the decision-making process and behavior on the micro-level, i.e. by agents working in donor agencies or subcontractors hired by these agencies.

Martens et al. (2002) aim at closing the gap with their book about the impact of individual actors' behavior within the implementation of foreign aid programs on the outcomes of these programs. They refer to the principal-agent theory as it describes the problems occurring due to knowledge gaps within the hierarchical relationships between principals (i.e. contracting actors such as the EFS) and agents (i.e. contractors such as the T&Es) (cf. 2.1.1). Their book entails four studies, each examining the informational problems of different institutions and agents in the aid delivery process. Nevertheless, Martens et al. (2002) do not base their assumptions on empirical data. Their analyses are general and rather provide the theoretical foundation for further empirical research.

This thesis draws on the principal-agent theory to provide a first step in analyzing the decision-making process and behavior of specific actors within a development project.

## 2 Conceptual framework

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To gain an in-depth understanding of the role of T&Es in the EF and the relationship between T&Es and the EFS, this study draws on the field of development studies (anthropology and sociology) and bases its analysis on the concept of the 'actor-oriented approach' in the development sector. This approach provides useful insights into the way actors give meaning to their experiences and transform external interventions into their life, in other words: the complex relationship between meaning and practice is assessed. The actor-oriented approach presents a way to analyze how T&Es interpret and implement the policies of the EF into everyday practice, to which extent and how they influence the EF/S and vice versa. A comprehensive actor-oriented analysis of the EF should include all involved actors, e.g. beneficiaries, donors and employers, and their relationships (cf. Bosman 2004). However, this is beyond the scope of this thesis, which aims at focusing on the role of private companies in the development sector.

In the following the conceptual framework is introduced by illustrating the actor-oriented approach by Norman Long (2001). Different types of power that can be possessed by different actors and within different relationships complement the approach. The types of power are defined by Bas Arts and Jan van Tatenhove (2004). In addition, the interplay between two specific kinds of actors (the principal and the agent) is outlined (cf. Jensen and Meckling 1976). These different approaches comprise the conceptual framework of this thesis.

### 2.1 The actor-oriented approach

In the 1950s the concept of modernization emerged in the development sector and still influences many development cooperation interventions nowadays. The concept "[...] visualizes development in terms of progressive movement towards technologically and institutionally more complex and integrated forms of 'modern' society. This process is set in motion and maintained through increasing involvement in commodity markets and through a series of interventions involving the transfer of technology, knowledge, resources and organisational forms from the more 'developed' world or sector of a country to the less 'developed' parts" (Long 2001: 10).

The modernization theory states that the limiting factors for development are based on the mindsets and behaviors of people living in traditional societies (Kaufmann 2013). Thus, the process of development is supposed to be driven by rationality, socio-economic development, an increase in productivity etc. In the 1970s a radical critique of development based on the modernization concept and its clear top-down approach arose. With Arturo Escobar (1995) (among others) leading the way, a deconstructivist approach found its way into the concept of development. According to them, development needs to be deconstructed in order to be understood. Less "developed" countries are subjected and "[...] political questions are being rendered tech-

nical, thus [...] agency [is taken] away from these countries" (Bierschenk 2008: 8). Hence, the "Third World" is constructed by the concept of development of the Western World.

Development projects increasingly include local governments and other local actors in the process of developing their region or country (Faist 2008). Hence, the number of actors taking part in development processes is increasing. A way to analyze this new network of relationships is applying an actor-oriented approach to development. One of its most prominent advocates is Norman Long. Long (2001) draws on the approach of deconstructivism mentioned above. According to him, deconstruction can be seen as a first step for an actor-oriented approach to development: The involved actors are revealed by deconstructing the structures of an intervention. Furthermore, the entire [...] concept of intervention needs deconstructing so that we recognize it for what it is, namely, an ongoing, socially constructed and negotiated process, not simply the execution of an already-specified plan of action with expected outcomes" (Long 2001: 31).

Long (2001) appreciates the fact that external forces influence structural changes, however, these external forces enter the lives of individuals and social groups and are necessarily mediated and transformed by these actors. In contrast to the original deconstructivist approach, the actor-oriented approach does not stigmatize target groups of development projects as powerless objects. Long (2001) states, that all actors have some kind of agency, even those who are at first perceived as "powerless victims", as they still have "the ability [...] to refuse to do what is expected of them or to do it another way" (Friedberg 1993; cited in Olivier de Sardan: 186).

Long (2001: 10) further criticizes the fact that most development studies either focus on large scales and trends ("macro"-studies), for example to test general structural models derived from, inter alia, modernization theory, or on small scales ("micro"-studies), for example by analyzing people's everyday lives. As mentioned above, he recognizes the impact of external influences on which macro-studies tend to focus on. However, he advocates a more wide-ranging view of development, trying to bridge large scale and small scale studies and emphasizing the interplay of "internal" and "external" factors and relationships to get a deeper understanding of social change - and to bring the "human" back into the concept of development.

In order to understand the actor-oriented approach thoroughly it is necessary to be familiar with a few concepts Long - and others - draw upon. The most important ones shall be explained hereinafter:

### **Agency**

Long's concept of 'actor' is built on the notion of 'agency' by Anthony Giddens (1984; cited in Long 2001: 16): "In general terms, the notion of agency attributes to the individual actor the capacity to process social experience and to devise ways of coping with life, even under the most extreme forms of coercion. Within the limits of information, uncertainty and other constraints

(e.g. physically, normative or politico-economic), social actors possess 'knowledgeability' and 'capability'. They attempt to solve problems, to learn how to intervene in the flow of social events around them, and to a degree they monitor their own actions by observing how others react to their behaviour and by taking note of the various contingent circumstances". In other words: social actors are able to reflect themselves and interpret and process their experiences (knowledgeability), as well as to formulate decisions and act upon them (capability).

"Social actors" in this case does not only refer to individuals, but also to organizations and collectives, for example enterprises or state agencies. Namely, an actor is an individual or a group who has "[...] means of reaching and formulating decisions and of acting on at least some of them" (Hindess 1986; cited in Long 2001: 16). Collectives and socially categorized groups, who are *not* able to formulate and carry out decisions in unison, who do not speak "[...] with one voice" (Ibid: 241), e.g. groups based on ethnicity or gender, *cannot* be seen as *one* social actor, rather they are coalitions of actors, which comprise interactions of different discourses (Long 2001).

The act of "interve[ning] in the flow of social events", for example commanding others and "observ[ing] how others react" (Long 2001: 16) is based on the actor's social relations. Thus, "agency" does not exist by itself. It is not simply something which can be possessed. It rather "[...] rests fundamentally on the 'actions of a chain of agents each of whom "translates" it in accordance with his/her own projects'" (Latour 1986; cited in Long 2001: 17). Agency depends crucially on a network of actors, who become partly involved in the project of another actor. Agency is determined by the way these actors use the network and their engagement in other actor's projects. Thus, it is essential to consider *how* social actors engage or are locked into an arena to understand the meaning of particular actions (Long 2001).

### **Arena**

"Arenas" are social locations or situations in which actors struggle over social values, relations, resources and power (e.g. Olivier de Sardan 2005, Long 2001). These situations are constantly constructed, reproduced and transformed by the actors' verbal and non-verbal interactions. Thereby, an actor's behavior is shaped by his or her *perception* of the actions and agency of others, i.e. other people might evaluate the actions and agency of the same person differently and (re-)act accordingly in different ways.

For a better understanding Long (2001) quotes the following example: Irrespective of the relationship between local farmers and individual government officials, the farmers' expectations of the outcomes of an intervention might most of all rely on the reified views they have of "the state" and the beliefs about its agency. He further warns that "one should not assume a shared vision. Actors must work towards [...] a common interpretation [...] and there are always possibilities for dissenting from it" (Ibid: 50).

## Power

In the arena, power is negotiated between a variety of specified but malleable actors (Bierschenk et al. 2002). However, the concept of power itself is highly contested and defined differently in different situations. Long (2001) defines power as agency derived from a network of social relations, Olivier de Sardan (2005) argues that the concept of arena not only entails relational power which is - in accordance with Long - possessed by every actor at least to a certain degree, but also institutional power. He defines institutional power as the distribution of different convertible forms of capital. These forms of capital are rather concentrated and therefore not possessed by all actors.

A good overview on how power is defined in different contexts is provided by Arts and Van Tatenhove (2004). They categorize six main types of power: *dispositional power* (having resources such as knowledge, money or weapons), *relational power* (being able to influence social relations), *organizational power* (achieving something by, for example, rules and bargaining), *discursive power* (achieving something by drawing on knowledge, story lines, discourses and alike), *transitive power* (achieving something at the cost of someone else) and *intransitive power* (achieving something with the help of someone else). These categories are not separate entities and might overlap. Furthermore, the concepts of power by Long and Olivier de Sardan can be found in Arts and Van Tatenhove's definition of relational and dispositional power.<sup>2</sup>

To conclude, one can draw upon Arts and Van Tatenhove (2004: 347) notion of power, which states that "power is the organisational and discursive capacity of agencies, either in competition with one another or jointly, to achieve outcomes in social practices, a capacity which is however co-determined by the structural power of those social institutions in which these agencies are embedded."

## Social interface

Long (2001: 65) states that "[i]nterfaces typically occur at points where different, and often conflicting, lifeworlds [i.e. values, perceptions etc.] [...] intersect, or more concretely, in social situations or arenas in which interactions become oriented around problems of bridging, accommodating, segregating or contesting social, evaluative and cognitive standpoints." Thus social interfaces structure the interaction within arenas. They comprise different interests, relationships and modes of power. Social interfaces are not face-to-face confrontations but rather complex

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<sup>2</sup> To avoid confusion, the notion of "institutional power" is used in this thesis when referring to power directly associated with money and similar forms of capital and "dispositional power" refers to power gained by different resources, for example money, but mostly knowledge and other resources which might be in case converted to money, i.e. are indirectly associated with money.



situations embedded within "broader institutional and knowledge/power domains" (Long 2001: 66). Social interface analysis aims at studying the sources of social discontinuities and the linkages present in these situations, i.e. the experiences and practices of all relevant actors.

As mentioned above, this paper does not claim to carry out a complete analysis of a development project, i.e. neither is it including all social actors in the arena, nor is it able to assess the "broader institutional and knowledge/power domains" in detail. But, despite the restricted implementation of the actor analysis, the approach still holds some useful tools for the present study, as described in the next section.

### **2.1.1 The Principal-Agent-Theory**

An instrument of analysis based on the actor-oriented approach is the Principal-Agent-Theory by Jensen and Meckling (1976) (sometimes stated as the Agency Theory [cf. Mertens et al. 2001]). Even though it does not use the term "actor" and does not explicitly draw upon Norman Long's concept, the similarities are intriguing and, as I shall show, it is useful for this study from a more practical perspective.

The theory is based on the relationship between two types of actors: the principal, i.e. the contracting authority, and the agent, i.e. the contractor. The theory states that the agent provides stipulated services (within a certain room for maneuver), which determines the benefit(s) of the principal. However, an information imbalance exist within the relation. The agent is supposed to have or obtain more information as he is the executing actor, which he could use to his advantage, for example by disguising insufficient results. The principal tries to minimize his disadvantage by screening potential agents in advance or implementing monitoring and incentive mechanisms. However, these mechanisms are linked with costs. Hence principal-agent-relations usually entail different kinds of trade-offs where the most prominent one probably exists between the screening/monitoring costs of the agent and the achievement of the principal's goals. If the degree of screening/monitoring is very high, the possibility of achieving the set goals is higher, however the costs are higher as well (e.g. Martens et al. 2002, Kaufmann 2013).

The Principal-Agent-Theory is usually applied in political science or economics, nevertheless it is a useful tool for analyzing i.a. Public-Private Partnerships (in the development sector), as well. In this context Kaufmann (2013: 307) speaks of "welfare loss". If a principal, usually the public partner, aims at contracting with an agent to implement a development project, he has to trade off the costs against the welfare loss, generated by insufficient implementation. In plain words: according to Kaufmann (2013) a project often is - in its extreme forms - either costly or ineffective and it is essential to find the appropriate ratio between costs and effectiveness.

## 3 Research methods

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In order to investigate the function of for-profit private actors within non-profit development projects methodological triangulation was applied. "Triangulation" is the analysis of a research topic from at least two different perspectives by using different methods (Flick et al. 2005). The triangulation might be achieved by combining qualitative and quantitative methods, as well as different methods within qualitative or quantitative research. According to Flick et al. (2005) qualitative triangulation can be applied *within* methods (i.e. using different scales in one questionnaire) or *between* methods (i.e. using different methods). Thus, in this thesis, a variety of different qualitative methods were combined and applied to answer the research questions.

### 3.1 Access to the field

#### 3.1.1 Embeddedness of this thesis

As mentioned above, this thesis is closely related to an impact study of the Employment Fund I participated in 2015 (cf. Hollenbach et al. 2015). The findings of this thesis are partly based on the primary and secondary data of the impact study (cf. Tab. 1).

The impact study's **objective** was to analyze the impact the EF has had on its target groups, especially women and other disadvantaged groups as well as their families. In addition, it critically examined the EF's monitoring and evaluation system in order to make recommendations for the planning and steering of a new project, which HELVETAS Nepal is planning to design after the EF ended in 2015.

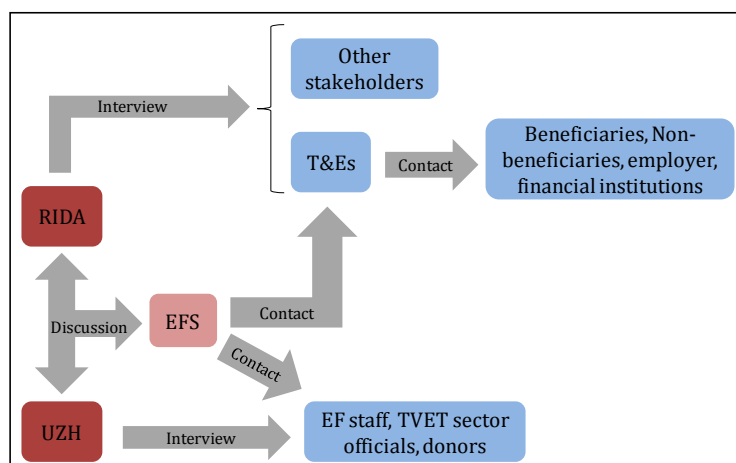
The study was implemented through a partnership between the University of Zurich (UZH) and the Nepali research firm Research Inputs and Development Action (RIDA). Both partners jointly developed the study design and methodology and jointly carried out the definition of the study sample, the development of semi-structural interview-tools, and the pre-testing of the tools.

In addition to this thesis' methods the main aspects of the impact study shall be shortly explained in the following to shed light on the background of this thesis.

#### 3.1.2 Selection of interviewees

To select the interviewees for the impact study the UZH and RIDA compiled a list of categories of potential interviewees so that each category of stakeholder would be sufficiently represented. This was discussed with EFS staff members and adjusted according to their experiences. The EFS connected the UZH and RIDA with the respective regional EF staff and T&Es and provided the UZH with contact information of other TVET officials. The T&Es organized meetings with the interviewees according to the list of categories RIDA presented to them (cf. Fig. 1). The inter-

views with TVET officials were either facilitated by the EFS by providing contact information or established through own inquiry via online search.



**Fig. 1: Process of selecting and reaching to interviewees for the impact study and this thesis** (Own illustration).

RIDA assumed leadership over the interviews with beneficiaries, non-beneficiaries, T&Es, employer, financial institutions, government offices and Chambers of Commerce. UZH conducted interviews with EFS staff, Regional Monitoring Officers, TVET officials and donors. Ten additional TVET officials were contacted via E-Mail, but interviews did not take place. One sent information regarding his projects.

### 3.1.3 Study sites

The impact study was conducted in the following five districts: Kanchanpur (Far Western Terai), Jumla (Mid Western Mountain), Kaski (Western Hills), Parsa (Central Terai), and Terhathum (Eastern Hills). The districts were selected in consultation with the EFS considering regional diversity (high/low land, rural/urban regions) and the socio-cultural diversity of beneficiaries (ethnicity, religion, poverty level, etc.).

The interviews with TVET officials and donors took place in Kathmandu (Central Hills).

## 3.2 Data collection

The studies' approach is based on a methodological triangulation: desk research as well as different types of interviews were conducted.

### 3.2.1 Desk research

For the impact study 17 publicly available reports of internal and external studies about the EF were systematically mapped, i.e. the respective objectives and research methods applied were

analyzed to provide an overview of the studies' quality and (direct and indirect) references to information gaps. In addition, these reports were reviewed, i.e. data was extracted and findings summarized, to identify already existing evidence on the project's impact.

For this thesis numerous scientific publications were consulted to provide sufficient background information for the analysis of the interplay between T&Es and the EFS.

### 3.2.2 Semi-structured interviews

Specific interview guidelines were developed for each category of interviewee.<sup>3</sup> The questions were comprised by the principles of SPSS (*Ger.* Sammeln [Collecting], Prüfen [Reviewing], Sortieren [Sorting], Subsumieren [Summarizing]) (Helfferrich 2009). The interviews were semi-structured, i.e. the interviewer(s) could add or skip certain questions depending on the situation.

During field research three types of interview techniques were applied: Focus-Group-Discussions, In-Depth-Interviews and Key-Informant-Interviews (Flick et al. 2010). Beneficiaries to be interviewed were selected based on their gender, ethnicity, type of training and target group category to achieve a high diversity among the respondents. However, in practice the availability of possible interviewees and accessibility of their place of residence played a major role as well.

**Focus-Group-Discussions (FGDs):** Focus groups are pre-arranged group interviews. During the impact study 8 FGDs were conducted with 8-10 trainees, respectively. The participants were selected from on-going trainings.

**In-Depth-Interviews (IDIs):** 90 IDIs were conducted with direct & indirect beneficiaries, non-beneficiaries, employers and T&Es. Indirect beneficiaries are individuals who depend on the income of EF graduates, e.g. spouses or parents. Non-beneficiaries are individuals who had applied for the EF training but were not selected, even though they might have been eligible. Employers were independent individuals who employed EF graduates or EF graduates who could establish their own enterprise and employ other EF graduates.

**Key-Informant-Interviews (KIIs):** 21 KIIs were conducted with district level stakeholders who were directly or indirectly related to the EF and/or the TVET sector, selected EFS and HELVETAS staff, TVET officials and donors. The district level stakeholders included representatives from District Chamber of Commerce offices and the industries, District Development Committee offices, District Education Offices, and banks/cooperatives.

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<sup>3</sup> See Annex B for the guidelines used for interviews with T&Es. Other guidelines are not included as they are beyond the scope of this paper.

Seven interviews (with donors and TVET officials, as well as one interview with EF staff) were recorded on tape. Most of them were not as the interviewer(s) did not want to put pressure on the interviewee with regard to possibly negative statements concerning the Employment Fund. During non-recorded interviews notes were taken.

### 3.2.3 Participant observation

The act of observation can manifest itself in different forms (Flick et al. 2005). "Simple" observation is often defined as being outside of the group who the observer wants to describe. Participatory observation entails a closer relation to the group as the observer attempts to be a part of it.

The method of participant observation was applied during the field research. It was not limited to the observation of EF's beneficiaries and T&Es, rather it was extended to all actors in the impact study (i.e. interviewees, RIDA, UZH and EFS) and included direct observations, informal conversations and meetings with RIDA and EFS as well as a self-analysis of the observer. A field journal was kept.

### 3.2.4 My contributions to the impact study

From the 15th of January until the 5th of March I participated in the **fieldwork** in Nepal together with Annabelle Jaggi, a fellow student from the UZH. I took part in the development of the interview tools, i.e. suggested questions and developed a structural approach, and conducted one test interview with a T&E. However, as we struggled with language barriers between the interviewee and myself - though he understood English he did not feel comfortable in answering in English - as well as between the translator (from RIDA) and myself the interview took an unnecessary amount of time. We decided that Jaggi and I should rather be participatory observers while conducting interviews with T&Es, employers and beneficiaries and their dependents as most of them did not speak (sufficient) English and we did not want to risk missing information. We accompanied RIDA to interviews in Kathmandu (for testing our tools), Parsa and Kaski. I participated as observer in seven interviews with female and male graduates (self-, wage-, unemployed; MEJC/P2P; DAG), one dependent, one employer and two T&Es. In addition, Jaggi and I conducted thirteen interviews with EF staff (EFS and Regional Monitoring Officers), donors and TVET officials for which we developed interview guidelines in advance. We participated in several meetings with RIDA, HELVETAS and the EFS.

I was engaged in the **desk research** by participating in the quantitative analysis of secondary data, i.e. I reviewed reports about the EF and wrote first summaries of the reviewed reports, as well as analyzed and graphically processed data from the reports and the EF database.

### 3.3 Data analysis

Two of the recorded interviews were transcribed with Express Scribe, a free available program for transferring audio into text files. A simple transcription was applied, i.e. expletives and repetitions were not transcribed if they did not contain additional information. However, other interviews were not transcribed as their transcription did not add valuable information. From these interviews data were extracted by listening to the audio files and taking notes. In addition, summarized translations of interviews conducted by RIDA were available. The field journal as well as protocols of non-recorded interviews were structured according their topic and relevance for the research questions and constantly consulted.

In total, 81 interviews were analyzed for this master thesis (cf. Tab. 1). These are not all interviews which were conducted during the fieldwork, but all available interviews containing relevant information regarding the role of the T&Es. The thesis' focus lies on the function of T&Es within the EF. Thus, summaries of interviews with T&Es received close attention whereas summaries of interviews with beneficiaries and transcripts, protocols and notes of other interviews were consulted to gain additional information regarding the perception of T&Es by other actors. The analysis of interviews with T&Es shall be described in more detail below.

**Tab. 1: Interviews analyzed for the master thesis.** Note: Each interviewee was interviewed only once, though some interviews were conducted with more than one interviewee.

Interviewee	No. of interviews	Interviewer
T&Es	10	RIDA
Beneficiaries	58	RIDA
EFS staff	4	UZH
Regional Monitoring Officer	3	UZH
TVET officials	4	UZH
Donors	2	UZH
<b>Total</b>	<b>81</b>	

The interview summaries with T&Es and beneficiaries were analyzed in two phases: the coding and the interpretation phase.

The **coding phase** was divided into two steps: Firstly, topical categories were determined by perusing the summaries. Secondly, the text was coded, i.e. its fragments were assigned to differ-

ent sub-categories relevant for the thesis' research questions (cf. Tab. 2). This happened with the help of QDA Miner 4 Lite, a qualitative analysis software.

**Tab. 2: Coding schema of interview summaries.**

	Category	Codes	Description
<b>T&amp;E</b>	Challenges	Capacity building, Coordination, Finances, MEJC, RMA, Target Group, Time, T&E, Training, Other	Challenges the T&Es have to face related to the EF
	Employment Fund (Secretariat)	DAGs, Capacity building, Monitoring, Outcome-based payment, P2P/MEJC, Sustainability & Social Change, RMA, General guidelines	Codes describing the relationship between T&Es and the EFS
	T&E	Monitoring, Motivation, Sustainability, Other	Codes describing the implementation of the EF by and goals of T&Es
<b>Beneficiaries</b>	Pre-training	Selection	The beneficiaries experiences and their perception <i>of the T&amp;Es</i> during the selection process
	During training	Training, Trainer	- during the training
	Post-training	Support, Other	- after the training

In the following **interpretation phase** the text was broken apart and arranged according to the established codes to analyze the content of all interviews detached from the respective T&E. Similar as well as conflicting statements and regional patterns were highlighted. Finally, the statements were matched according their significance for specific research questions.

### 3.4 Limitations of data basis

Particular attention during the data collection was paid to intersubjective replicability (Flick et al. 2005), although an identical replication of a study based on qualitative methods is nearly impossible. However, methodological traceability can be assured by documenting the research process, interpreting in groups (for example discussing interpretations with colleagues) and using coding mechanisms. Nevertheless, the applied methods and collected data have shortcomings which should be shortly addressed in the following paragraphs.

First of all, the existing language barriers might have affected the quality of the data as there were only translations available of the interview summaries conducted by RIDA. The language barriers were intensified by the fact that the translation from Nepali to English was not accomplished by native English speakers and their translation left additional room for interpretations. Furthermore, the interviews were first summarized and then translated due to time constraints which might have affected the data: Every summary requires an interpretation by the summarizing person depending on what he/she thinks is important and what not. And "[a]ny interpretive act is influenced, consciously or not, by the tradition to which the interpreter belongs" (Silverman 2004: 14). This applies to the interviewer and translator as well as to the interviewee and interpreter (myself) as each actor "translates" the actions (including spoken and written words) according to her/his own perception (cf. 2.1).

Secondly, participant observation ideally entails the researcher becoming part of the lifeworlds of her/his subjects of study (Flick et al. 2005). Gaining trust by long-term participation in the subject's realities often leads to insider knowledge which cannot be covered with standard interviews alone. In the context of the impact study the limited timeframe did not allow the researcher to step out of the role of the external interviewer. By discussing the experiences with people presumably (a little) closer to the lifeworlds of the interviewees (i.e. RIDA) a deeper understanding was reached. However, it is questionable whether RIDA could gain the preferable insider knowledge as a common citizenship might not be a sufficient foundation for trust on the side of the beneficiaries. Although the interviewer were selected based on the beneficiaries gender (i.e. women were mostly interviewed by women), the caste system might have influenced the beneficiaries answers as a majority of RIDA's team belongs to higher castes while many beneficiaries belong to lower castes.

Finally, the selection of beneficiaries to be interviewed was managed with the help of T&Es (cf. Fig. 1). Although they received guidelines selection determined by RIDA and UZH regarding the interviewee they still had the power to decide to whom they reached out and to whom not. There is no proof whether they deliberately choose not to reach to too many beneficiaries who could tell something negative about the T&E or its training. The same applies for the EFS. However, as there are less T&Es in the program than beneficiaries and the study sites were determined by RIDA (which decreased the number of T&Es again), the EFS had much less opportunities to do so.



## 4 The role of the private sector in development

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After having outlined the topic and objective of the work, presented the conceptual framework and explained the methods for data collection, I am now going to approach the actual subject of this thesis: the private sector in development and its relationship with public actors in so called Public-Private Partnerships (PPP).

Before elaborating on PPP in the development sector in more detail it is advisable to take a look at the concept in general, as it is not exclusively implemented in the development sector but also for example in building and maintaining infrastructure, especially in the transport sector, or in education and vocational training in developed countries (cf. De Vries 2013).

### 4.1 Approaching the concept of Public-Private Partnerships

The concept of PPP is very heterogeneous. There exists neither a legally binding definition nor a detailed and consistent understanding in practice (cf. e.g. Wettenhall 2003, ADB 2008, Khanom 2010, Kaufmann 2013). One explanation for that might be the blurred definition of its actors: the private and the public sector. The term "*private sector*" encompasses a variety of different actors. Dietz and Dauner (2014) argue that it includes all kind of for-profit economic actors such as international and national businesses, state and domestic enterprises, etc. Whereas Davies (2011) claims that it further comprises non-profit private foundations who act similarly to donors and non-governmental organizations (NGOs). Some scholars include NGOs in the definition of PPP, although they do not clearly assign them to the "private" (or the "public") side (Wettenhall 2003). Others recognize the cooperation in this case as a "tri-sector partnership" (Ockelford 2000). In addition, private sectors in countries with large informal economies might look different from the private sectors in developed countries (Maurer 2015). Especially in rural areas subsistence economics and small-scale production might play a crucial role and can replace the private sector in the classical sense. Within this thesis the term "private sector" excludes non-profit private actors and solely refers to for-profit actors operating a business, hence excluding people living of subsistence economics.

The term "*public sector*" refers to governments and its agencies (Ockelford 2000). However, in the context of development SDC (2013; cited in Dietz and Dauner 2014: 3) defines PPP as "joint investments of development agencies and the private sector" - extending the term "public" to development agencies like itself. In this case PPPs are sometimes referred to as Public-Private Development Partnerships (PPDP). Supporting SDC's definition is the fact that SDC is commissioned to implement the Swiss Federal Law about the International Development Cooperation and Humanitarian Aid (SDC and SECO 2015). One can continue this chain of reasoning to one of

the implementing agencies of SDC: HELVETAS Swiss Intercooperation. Though HELVETAS officially is an NGO, it acts on behalf of SDC and receives most of its financial resources from SDC (54,5 % in 2014<sup>4</sup>) (HELVETAS 2014). It thus, can be considered to be a deputy of the public sector. While this might seem contrary to some definitions of the public sector, in the context of the Employment Fund - and other similar development projects - this is a very useful approach to analyze the project and, if applicable, transfer its results to a wider range of development projects implemented under a Public-Private Partnership.

As mentioned above, the term "Public-Private Partnership" comprises a variety of different collaborations between different actors (broadly defined as "public" and "private") with different characteristics depending on the context. Some of the characteristics (and their shortcomings) on which the majority of definitions of PPP are based on should be mentioned here (cf. ADB 2008, Khanom 2010, Delmon 2011, Kaufmann 2013, Dietz and Dauner 2014):

- *Additionality*: The idea behind partnerships is that they make things happen which would or could not happen (as successfully) if only one actor was involved. However, this requirement often proves to be difficult to verify as the private sector's contribution are often in-kind and appropriate reporting systems are not always implemented (Dietz and Dauner 2014). In addition, it is often impossible to consider all external factors, i.e. some kind of "control group/situation" with the exact same initial conditions to compare the partnership's impact to is usually missing.
- *Sharing of risks and responsibilities*: The allocation of risks and responsibilities according to the partner's competences leads to an increase in efficiency. However, the notion of "risk" is often not defined consistently or clearly (Mühlenkamp 2010; cited in Kaufmann 2013: 75). Definitions usually entail the risk of costs, though there are many other forms of risk, e.g. political risk and social risk (cf. Delmon 2011). This has to be analyzed in advance of a PPP. However, it might happen that responsibilities and risk alter over the course of the partnership (Delmon 2011) or that the focus of the PPP lies only on the sharing of resources, ignoring the distribution of risks and responsibilities (IOB 2013).
- *Sharing of resources*: The sharing of resources ideally leads to gains in efficiency and effectiveness. Resources are shared for example when the public sector puts up capital and in turn the private sector provides manpower and knowledge (or vice versa). In practice, however, many PPPs are motivated by financial rather than effectiveness reasons (IOB 2013).

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<sup>4</sup> Other resources are fundraising and project funding from other organizations.

- *Long-term commitment:* It is widely assumed that only long term commitment can lead to a sustainable partnership. The notion "long-term", however, does not have a universal definition and depends on the context. Especially in developmental PPPs a long-term commitment might not always be compulsory (cf. IOB 2013).
- *A contract defining i.a. a common goal:* Depending on the type of PPP there is a high variety of planned outcomes. For a partnership to be successful it is essential for the partners to agree upon a common goal in advance (extending beyond efficiency gains), as well as the responsibilities and risks they bear - though, as mentioned above, these might change over time. In addition, the goals are often defined very broadly and focused on the process rather than the output (e.g. "better cooperation"). Researchers thus advocate for a clearly defined monitoring system of in advance defined criteria of success. Such a system is still lacking in many partnerships, complicating the measurement of results and the evaluation of the partner's performances which possibly hampers the project's efficiency and effectiveness. A monitoring system might also take into account that a positive effect of an intervention often cannot clearly be attributed to the PPP (IOB 2013, Dietz and Dauner 2014).

For public and private actors to collaborate based on such characteristics different incentives and drawbacks exist. From the public partner's perspective the biggest motivations for taking part in a PPP is to attract private capital investment and hence to cut some of its own costs, to increase efficiency<sup>5</sup> and use resources more effectively, as well as to reform sectors through a reallocation of roles, incentives and accountability (ADB 2008). These motivations are enhanced by further reasons, e.g. promoting of innovations (Dietz and Dauner 2014), faster project implementation and improvement of reputation (Kaufmann 2013), introduction of competition and adopting steering and managerial practices and experiences of the private sector (Alfen 2009). The private partners have their own motivations to partner up. These motivations might depend on the type of engagement of the private sector (cf. Fig. 2). However, the private sector does usually seek some kind of investment return, directly in form of capital or indirectly by getting access to knowledge, establishing relations, for example to new clients, or by gaining better reputation (ADB 2008, Dietz and Dauner 2014).

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<sup>5</sup> In its Public-Private Partnership Handbook the ADB (2008) explains that the public sector struggles with using its scarce resources efficiently as it "has few or no incentives for efficiency structured into its organization and processes" (Ibid: 3). This is presumably one of the reasons why some governments fall short of goals. Delmon (2011) further points out that low efficiency might be due to the need of political oriented decision making by the public sector and the private sector's "commercial approaches to problem solving [...], in particular rationalizing the costs of labour and material" (Ibid: 13).

Despite the many advantages of getting engaged in a PPP there are some drawbacks for both sides of the partnership, as well as for the people who are supposed to benefit from a project's implementation. For example, the unequal allocation of risks and responsibilities might have dramatic consequences for the risk bearer (e.g. bankruptcy). Wettenhall (2003) prefers the notion "mix" instead of "partnership", referring to the often misleading assumption of equality. Other obstacles might be an unpredicted increase of end user charges, high transaction costs, corruption regarding the awarding of contracts<sup>6</sup> and the loss of governmental control of important services, e.g. provision of energy (Grimsey and Lewis 2007, Partinos et al. 2009, Ménard 2013).

Nevertheless, Ménard (2013) argues that the advantages of a PPP outweigh its disadvantages and that its application might even increase. He lists four reasons why this should be like that: First, the public sector is constrained by its (lack of) financial resources, even more so after the financial crisis. Second, the urbanization rate as well as international and national trade is increasing which leads to the need of major investments in infrastructure. Third, there is an increasing dissatisfaction with the provision of public goods and services. Fourth, related to the dissatisfaction is a growing suspicion about the role of the government, which supports the idea that PPPs are the solution for public investment.

## 4.2 Engagement of the private sector in development

The private sector drives economic growth, for example through investment, employment creation, innovation and transfer of knowledge. Economic growth is seen as an essential part of development (cf. 2.1). Many countries which experience economic growth also demonstrate a decrease in the number of people living below the poverty line (1,25 US-Dollar/day). However, an increase in the GDP does not necessarily lead to sustainable livelihoods and the creation of jobs, thus alleviating poverty. In addition, in many countries economic growth led to an increase in social inequalities, e.g. in Nepal and China (Kaufmann 2013, Dietz and Dauner 2014). Yet, the private sector can play an important role in other than solely economic aspects of life. For example, access to education and health care is vital to promote social equality and alleviate poverty - and the private sector has the possibilities on hand to contribute to these goals (cf. UNDP 2014).

In its report about the "Barriers and Opportunities at the Base of the Pyramid" the UNDP (2014) determines four types of possibilities for the private sector to engage in development, ranging

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<sup>6</sup> A Swiss newspaper (Die Handelszeitung) published an article in July, 2015, where it harshly criticized the distribution of financial resources and projects by SDC. It accused the Swiss development sector of not being interested in the most pressing problems many people have to face but rather in allocating money to the "right" person (cf. <http://www.handelszeitung.ch/politik/harte-kritik-am-finanzgebaren-der-deza-814647>).

along a non-profit and for-profit continuum: Corporate Social Responsibility (CSR), Social Enterprise, Inclusive Business and Mainstream Business (s. Fig. 2). Whereas CSR forms the edge of the non-profit side, focusing on a social cause, the focus of enterprises following the Mainstream Business model lies first and foremost on making profit. However, the types of engagement are not strictly separated and in practice it might be difficult to assign them to one end of the continuum or the other. For example, an enterprise might solely engage in CSR activities to enhance its reputation - which in turn might indirectly lead to an increase in profits.

<b>Corporate Social Responsibility</b>	<b>Social Enterprise</b>	<b>Inclusive Business</b>	<b>Mainstream Business</b>
Activities & donations undertaken by a privately owned enterprise with an explicit aim to further a social good without the expectation of financial returns & which are not required by law.	An organization that uses market-based strategies to improve human well-being, rather than maximize profits.	Businesses whose models include the poor on the demand side as clients & customers and on the supply side as employees, producers & business owners.	Enterprises for which providing a financial return to owners is the primary objective.
Non-Profit		For-Profit	
Public-Private Partnerships			

**Fig. 2: Types of engagement of the private sector in development** (Adapted from UNDP 2014).

Aiming at combining the strengths of the actors involved in promoting development, public entities increasingly engage with the private sector in two ways<sup>7</sup>: firstly, the development of the private sector and, secondly, the cooperation with the private sector to reach a certain development goal mostly in developing countries, for example providing health care to the poor (Dietz and Dauner 2014). Here the focus shall lie on the latter: the cooperation with the private sector. This so-called Public-Private Partnerships (PPP) may be an integral part of each of the mentioned private sector's engagement types (cf. Fig. 2). However, the definition and applicability of PPP vary depending on the context. For example one could argue that many CSR activities should not be seen as part of a PPP as they could have been done anyway, e.g. donations, and therewith lack the impact additionality a majority of other definitions require (cf. 4.1).

<sup>7</sup> Although the concept of PPP is increasingly discussed in the scientific literature and applied in practice, one should bear in mind that partnerships in such sense have been a feature of state-society relations long before the definition of PPP (cf. Carroll and Steane 2000; cited in Wettenhall 2003: 87).

### 4.3 Public-Private Partnerships in education and training

Education is widely believed to be critical for a country's economic, political and social development. Education is assumed to help people escape poverty. However, not every government has sufficient resources to invest in and/or provide education. Thus, they increasingly reach out to other ways of investing in and providing education, for example, through the private sector. However, due to concerns regarding market failure and social inequalities the public sector still plays a major role in the education sector (Partinos et al. 2009).

Public-Private Partnerships are seen as an efficient solution for the dilemma. As with any PPP there are different forms of partnerships depending on who is financing or providing education. This thesis analyzes PPPs in which the public sector acts as the actor providing policies and financial resources and the private sector as the implementing actor. In this case the public sector outsources the provision of education to a private partner and defines specified goals and rewards and sanctions if the goals are or are not met. In this case the private partner shares the financial risk of non-performance.<sup>8</sup>

PPPs in the education sector have increased significantly in the last two decades, especially in developing countries. Through PPPs, education is delivered to a variety of clients, ranging from low-income to high-income families. Though the private sector's participation in providing education is increasing significantly at a primary education level, its participation is highest at the secondary level. Nevertheless, there are differences between countries. For example, while the enrollment rate in private institutions on the secondary level in India increased from 10 % in 1990 to 23 % in 2005, it decreased in the US from 10 % to 9 % in the same period, stressing the importance of private actors in developing countries as compared to developed ones (Partinos et al. 2009).

PPPs in education have their pros and cons, of which they share several with PPPs in general (cf. 4.1). However, some are specifically related to the provision of education and training and should be addressed here: For example, by outsourcing the provision of education and training to privately run schools public schools have to compete for students which might lead to an increase in their education and training quality. The private sector has more flexibility regarding hiring teachers and organizing schools than the public sectors has. Thus, private schools might be more efficient in adapting to market demands for example. This is especially the case in vocational training (Partinos et al. 2009, Maurer 2015).

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<sup>8</sup> Nevertheless, educational PPP cover several types of contracts, ranging from the construction, management and maintenance of educational infrastructure to providing education in form of charter and concession schools or vouchers and subsidies by the government (cf. Partinos et al. 2009, Koirala 2015).

Nevertheless, PPP can contribute to social segregation. A growing number of educational institutions can lead to wealthier families sending their children to (better) schools whereas children from socioeconomically disadvantaged families have to stay at public schools. This might lead to the deterioration of public schools as they lose the support of (more educated) parents who consider public schools to provide education of lower quality. School fees often operate as selection criteria and the public sector might have given up the possibility to intervene if necessary, thus relinquishing the choice of who is to be educated in which topics to the private sector (Partinos et al. 2009, Mahmood 2013).

The mentioned pros and cons all apply to education as well as (vocational) training institutes. However, private VT institutes entail a characteristic linking them to the private sector that educational institutes could not: their emphasis on practice. Public school curricula are often outdated and focus on theory rather than practice as teachers lack practical experiences. Involving the private sector in vocational training might forestall these obstacles and link the training to the demands of the market, thus preparing students more efficiently and effectively than public training institutions (Mahmood 2013).

## 5 Nepal: Social inequality and development

Before I turn to the role of PPPs in Nepal and its functions and positions within the development sector, I would like to give a short outline of the essential cultural, social and historical features of the country. This is meant to shed light on the environment in which the Training and Employment Service Providers (T&Es) have to work.

### 5.1 Cultural diversity and social exclusion

Nepal, since 2008 a Federal Democratic Republic, is a multi-religious, -ethnic and -lingual, land-locked country in the Himalayas between China in the North and India in the East, South and West. It is divided into three ecological belts: the Terai (Lowland), the Hill and Mountain zone, as well as five development regions: the Far Western, Mid-Western, Western, Central and Eastern Region (cf. Map 1).

Map 1: Nepal with its ecological zones and development regions (Adapted from GON 2000).



Its geographical location affects Nepal's socio-economic situation tremendously. Located in a mostly mountainous area where fertile land is limited, the situation is impaired by a population growing faster than land can be made arable. This decrease of available cultivated land per person leads to an increasing need to import food (CBS 2014c), which in turn contributes to Nepal's dependency on India and China. Nepal's dependency on India is demonstrated by recent events



in the country: on September 20, 2015, Nepal promulgated a new constitution replacing the interim Constitution of 2007. Though the constitution was approved by an overwhelming majority (90 %) of the Constituent Assembly, a large share of Nepal's population, especially Madhesis<sup>9</sup>, Tharus and other Janajatis do not feel adequately represented and started protesting (cf. 5.1.1; Jha 2015). In support of the protestors India blocked the Nepal-Indian border (Pathak 2015). The officially undeclared blockage led to an acute shortage of gas, fuel, food, medicines and other daily humanitarian supplies within Nepal.

Conflicts based on social inequalities are not a recent phenomenon in Nepal. The decade-long civil war from 1996 until 2006, initiated by the Communist Party of Nepal (Maoist) [CPN (M)] and violently combated by the Nepalese Royal Army, drew international attention to the social, economic and political exclusion of large parts of the Nepalese population based on caste, ethnicity and/or gender. After more than 17'800 people had died (Upadhyay; cited in Döhne, 2012: p. 35), the outright conflict was resolved, the monarchy abolished and a federal, democratic and secular republic was established in 2008. Nevertheless, as the above mentioned example demonstrates, the country's post-conflict transformation is still highly determined by the ongoing political discourses about socio-ethnic inequalities: Discrimination and exclusion based on caste, ethnicity, gender, religion, language and class continue to shape Nepal's future.

In order to capture Nepal's complexity and diversity - the following two chapters provide background information on the country's social policies over the last centuries and the current socio-economic situation in Nepal before turning to the role of PPPs in the country in the last chapter.

### **5.1.1 History: From unification to diversification**

Nepal harks back to a turbulent history. Elucidating every detail of more than 270 years<sup>10</sup> of political, economic and social struggles lies beyond the scope of this thesis. Nevertheless, to understand the socio-economic and political present of Nepal it is necessary to know some of the factors which led to the country's current conditions. (The following descriptions are by Burghart 1984, Geiser 2005, WB and DfID 2006 and Udry 2014 if not stated otherwise.)

#### **The unification (18th century - 1951)**

King Prithvi Narayan Shah, then head of the *Shah Dynasty*, decided in 1743 to unify several formerly existing kingdoms within the area of what is nowadays known as "Nepal". In 1769 the

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<sup>9</sup> Inhabitants of the lowlands.

<sup>10</sup> Therewith I refer to the relatively recent history of Nepal, beginning with the unification process. However, the area is supposed to have been inhabited since at least 9.000 B.C. (Bhattarai 2008).

unification process ended with the conquering of the Kathmandu valley and the announcement of Kathmandu as capital city of the kingdom.

However, a few decades after the foundation of Nepal the King had lost most of his power and only operated as a "puppet king" (Udry 2014: 26). During the dominion of the so-called **Rana Dynasty** (1846-1951) the de facto rulers of the country were the prime ministers. In 1854 the Rana oligarchy commissioned Nepal's first legal Country Code (Muluki Ain). The Muluki Ain was the first written law (that is still available), which contained all public and civil laws based on the Brahmanical religious law, as well as social and government practices. The Muluki Ain for the first time legally formalized the caste system (cf. Tab. 3). The marginalization of parts of the population who are ascribed as "impure" and are for example not allowed to touch water used by higher castes, was practiced even before the Muluki Ain. However, the code legalized different punishments for the same crime based on the caste the perpetrator (and the victim) belong to (Höfer 1979).

**Tab. 3: The caste system as legally formalized by the Muluki Ain in 1854**  
(Adapted from Geiser 2005, WB and DfID 2006).

<b>Pure</b>	<b>Tagadhari</b> (Wearers of the sacred thread, Twice-born)	e.g. Brahman, Chhetri, high-caste Newar
	<b>Matwali</b> (Alcohol drinkers) not enslavable	e.g. Magar, Gurung, other Newar castes
	enslavable	e.g. Tamang, Tharu
"Water line": castes above the line are not allowed to accept water from castes below the line.		
<b>Impure</b>	<b>Pani Na Chalne</b> (Low-caste touchables)	e.g. Muslims, foreigners
	<b>Acchut</b> (Untouchables)	Dalits (e.g. Kami)

In literature the terms "Janajati" and "Dalit" are widely used. However, they do not describe specific castes or ethnicities. Janajati is a collective term used for all ethnic groups, which mostly (but not exclusively) belong to *Matwali* castes (e.g. Magar, Gurung, Tamang), whereas "Dalit is a condition characterized by caste-based discrimination including untouchability" (IIDS 2008: III). However, "caste" and "ethnic group" are overlapping categories, i.e. some ethnicities are segmented into different castes, e.g. the Newar. In addition, castes are often divided along geographical parameters, e.g. Hill Dalits and Terai Dalits, which is again related to different social statuses (cf. 5.1.2.3).

To protect Nepal from detrimental influences from other countries, for example from British colonialism, the Rana regime followed an isolation policy which led to the almost complete isolation of the country from the rest of the world until 1950. The scattered anti-Rana protests, which emerged in the early twentieth century and resulted in an open conflict with the government in the 1940s, were exploited by the king, who set about regaining power. In 1951, the royal takeover succeeded and the Rana Dynasty was terminated. In the same year the Nepalese government signed its first foreign aid agreement (cf. 5.1.2).

### **The homogenization (1951-1990)**

King Tribhuvan, a descendent of the former King Prithvi Narayan Shah, promised the nation more democracy and economic development and commissioned a new Constitution and Civil Rights Act in 1955, which prohibited the discrimination against any citizen of Nepal on the grounds of religion, race, sex, caste, tribe or ideological conviction. His son, King Mahendra, announced democratic elections in 1959 and officially abolished the caste system in 1963.

However, the Constitution and Civil Rights Act, as well as the abolition of the caste system lacked real law enforcement and the dream of a multi-party democracy was buried only one year after its announcement. Instead of a parliamentary democracy the king introduced the ***Partyless Panchayat Democracy***: the formation of parties was prohibited and the country was led by a form of local self-governance based on Hindu traditions.<sup>11</sup> This modern concept of "democracy" was seen as proof "[...] that Nepal was not merely aping Western ideals but was following its proper path of development as well" (Udry 2014: 72). However, the Panchayat System aimed to homogenize the country, as cultural diversity was seen as an obstacle for development. The Nepali culture and Hinduism were promoted as the country's main characteristics and Nepal was officially announced a "Hindu Kingdom".

### **The rising of democracy (1970s - today)**

By the end of the 1970s many ethnic organizations had started to form in protest of the exclusive politics in Nepal. Additionally, the country's increasing dependence on foreign aid and relative lack of development progress led to a growing frustration about the government among the population. The protest in 1990, known as the "People's Movement", finally led to the abolition of the Panchayat Democracy, the introduction of a constitutional monarchy and the restoration of a multi-party democracy. The years following were shaped by a constant change in political leadership.

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<sup>11</sup> The local Panchayat organizations were most often composed of high-caste men, who worked as brokers between international actors and the Nepalese society. Their foremost goals were development and modernization and the combination of the traditional system.

The Communist Party of Nepal (Maoists) [CPN (M)] managed to win many low-caste and other discriminated groups<sup>12</sup> for their cause: a one-party communist republic. They launched their "*People's War*" in 1996, a civil war that terrorized Nepal until 2006. In a decade, more than 17'800 people presumably died due to the conflict (Upadhyay; cited in Döhne 2012: 35), killed by either the Maoists, whom they supposedly did not want to support, or by the police forces, who assumed them to support the Maoists.

In 2006, after massive protests against King Gyanendra, who used the conflict to assume absolute power again in 2005 but had to restore the government due to the protests, a Comprehensive Peace Accord between the Government of Nepal (GON) and CPN-M was signed. In consequence, Nepal was officially announced a secular state, i.e. it was not a Hindu Kingdom anymore.

In 2008, the monarchy was officially abolished and the "*Federal Republic of Nepal*" established. The political parties, above all the two most popular parties, the Nepali Congress (NC) and the CPN-M, agreed to write a new constitution within the next two years. However, due to disagreements within the Constituent Assembly (CA) a new Constitution could not be adopted until September 20th, 2015. The Constitution is celebrated by many as ensuring fundamental rights in a way exceptional in Nepal's history (Bhusal 2015).

The Constitution recognizes Nepal as a "multi-ethnic, multi-lingual, multi-religious, multi-cultural" nation in which "all mother tongues spoken [...] shall be the national language" (Constituent Assembly Secretariat 2015: 1) Nevertheless, a majority of Nepal's population, i.e. Madhesi, Tharus and other Janajatis, do not feel adequately included (Jha 2015). Madhesi and Tharus claim, for example, population-based rather than geography-based constituencies. Currently the much less populated Hill region is provided with more constituencies than the Terai, where the majority of Nepal's population (incl. most Madhesi) live which leads to a majority being a minority in the National Assembly.

The system of two different kinds of citizenship incident to different privileges depending on the citizenship of your father is also highly criticized (Jha 2015). Additionally, the concept of "castes" is neither abolished nor discussed but premised (cf. Constituent Assembly Secretariat 2015). In support of the protestors, who were restricting the importation of goods by their (in part violent) demonstrations, India proposed an amendment to the constitution. Nepal did not respond adequately and India blocked its mutual border (Pathak 2015). The following shortage of gas, fuel, food and other supplies worsened the already challenging situation after the earthquakes in

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<sup>12</sup> For example, Dalits, Janajatis, Madhesi and women.

April and May, 2015,<sup>13</sup> and according to NHRC-Nepal (2015: 1) "pushed the country to the brink of a massive humanitarian crisis".

Hence, to this day, exclusion and discrimination based on ethnicity, gender and/or caste, as well as emotional trauma and physical injuries by violent suppression and the civil war have been persistent since Nepal's unification process began in 1743.

### 5.1.2 Socio-economic situation

The Census 2011 identified 125 castes and ethnicities in Nepal, speaking 123 languages and dialects. The largest caste/ethnic groups are Chhetri (16,6 % of the total population), Brahman-Hill (12,2 %), Magar (7,1 %), Tharu (6,6 %) and Tamang (5,8 %) (CBS 2014b). The National Dalit Commission identified 22 Dalit castes which comprise around 15 % of the total population (IIDS 2008). The majority of Nepali belong to Hinduism (81,3 %). Other religious orientations are: Buddhism (9 %), Islam (4,4 %), Kirat (3 %) and Christianity (1,4 %) (CBS 2014b).

Of a total population of about 28,12 Mio. in 2014 (WB 2015) most of the people still live in rural regions. In 2011 only 17 % of the population lived in urban areas. However, the trend of urbanization is increasing (CBS 2014b). Internal migration does become visible not only between rural and urban regions (horizontal migration), but also along altitude (vertical migration): The population in mountainous and hill regions declines, while more and more people migrate to the southern lowlands of Nepal, the Terai, seeking agricultural land and employment opportunities. In 1961, the Terai was inhabited by around 36 % of the total population of Nepal, until 2011 it increased to over 50 % (CBS 2014a).

Nepal is among the "least developed countries"<sup>14</sup> (LDCs) in the world and it is the "least developed country" in South Asia (UNCTAD 2014). According to the United Nations (UN) Nepal has one of the lowest levels of socio-economic development. Furthermore, though the number of undernourished people decreased significantly in the last two decades (IFPRI 2014), the regional Hunger Index (NHI) still classifies the food security situation in Nepal as severe (WFP Nepal 2009). In addition, spatial differences are significant, i.e. the NHI classifies the situation in Nepal's Terai and Hill zones as less severe compared to its Mountain zone. According to the CBS

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<sup>13</sup> On the 25th of April and 12th of May Nepal was struck by an earthquake with a magnitude of 7,8 and 7,4, respectively, in addition to more than 300 aftershocks with a magnitude greater than 4. About 8.800 people died and more than 22.300 were injured. About 900.000 buildings were destroyed or partly damaged. The earthquakes supposedly affected over 8 Mio. Nepali (NPC 2015, WEF 2015).

<sup>14</sup> The LDCs are defined by three criteria: per capita income, human assets (based on e.g. school enrolment, child mortality) and economic vulnerability (based on e.g. percentage of victims of natural disasters, share of agriculture in GDP) (cf. UNCTAD 2014).

(2014a: f) "it seems that [especially] Mid West Mountain and Central Tarai have been lagging behind compared to other parts of the country [...]." Communities and people who are vulnerable to malnourishment are often also the ones who face social, economic and political exclusion, for example Janajatis, Dalits and women (FIAN 2014).

In 1951, the Nepalese government signed its first foreign aid agreement and launched its first development program. Until the 1990s the form of foreign aid changed from grants to external assistance in the form of project aid (e.g. funded irrigation programs), commodity aid (e.g. provision of construction material), technical assistance (i.e. expertise) and program aid (i.e. support of various projects, in particular in the agriculture and health sector). The dependence on foreign aid increased significantly but the initial enthusiasm and confidence about development programs gave way to disillusionment and frustration among many Nepalese as Nepal still seems far away from the anticipated goals (Sharma et al. 2014, Udry 2014).

The total disbursement of foreign aid in the fiscal year 2012-2013 was 980 Mio. US-Dollar, with Switzerland placed fifth among the biggest aid providers, providing 41,76 Mio. US-Dollar. Aid accounted for 6,2 % of the GDP in 2012-2013 and with more than 140 Mio. US-Dollar the education sector received the largest share, followed by the health sector. Nevertheless, the disbursement of aid is often not related with poverty as the poorest regions receive the least amount of aid and the gap between rich and poor is widening (Geiser 2005, MOF 2014).

According to the Ministry of Finance (MOF 2015) 23,8 % of the population currently lives under the poverty line of 1,25 US-Dollar per day. After the earthquakes on the 25th of April and the 12th of May 2015 the situation of many poor people severed. The Post-Disaster Needs Assessment (PDNA) report states that the amount of people living under the poverty level increased by around 2,5-3,5 % (NPC 2015).

Many Nepalese, especially young men, seek their fortune in foreign countries and migrate to the Middle East or India to find employment (Willjes 2012, Serrière 2014, Kern and Müller-Böker 2015). Emigration of family members is an important income source of many families and remittances are supposed to become "the backbone of Nepalese economy" (CTEVT 2014: 1). In 2014, the remittances accounted for 28 % of the GDP (MOF 2015), which highlights - in addition to the contribution of aid - Nepal's dependency on external resources.

#### **5.1.2.1 Employment**

According to the Nepal Labour Force Survey (NLFS), 83,4 % of the population in Nepal is "economically active" (CBS 2009). Meaning, 83,4 % of the population aged 15 or above is working, actively looking for work or is willing and able to work (Lauterbach 1977; cited in

CBS 2009: 3).<sup>15</sup> The NLFS (CBS 2009) detected an unemployment rate of 2,1 %, which is relatively low compared to, for example, Switzerland with an unemployment rate of 3,7 % in 2009<sup>16</sup> (BfS 2014). However, the NLFS (CBS 2009) further states an underutilization rate of 30 %, which reveals underutilization of the working force as a major problem in Nepal - especially in urban areas. "Underutilization" in this case comprises four components: unemployment, involuntary part-time work, inadequate earnings, and a mismatch between the level of education and the type of occupation.

An increasing number of mostly unskilled Nepalese migrate to urban centers or abroad. On the one hand, this leads to a laborer gap in many rural areas, which left-behind women, children and elderly struggle to close (FIAN 2011). On the other hand, these unskilled migrants often not only face discrimination and low-paid jobs (possibly in a foreign country), they also put themselves in detrimental dependencies as they often have to incur debts to pay for the job placement by recruitment agencies. In turn, migrants sometimes receive false promises, contracts which force them into bondage-like labor or no contract at all. Heavily in debt - mostly to friends and family - many migrants do not see or have another choice than accepting these conditions (Willjes 2012, Kern and Müller-Böker 2015).

#### **5.1.2.2 Education**

The literacy rate in Nepal is increasing. In 1971, the country had a literacy rate of 14 % (for the population of 6 years and above). Until 2011, the literacy rate increased to 67 %, with 82 % of the urban and 63 % of the rural population, and 75 % of men and 57 % of women being literate (CBS 2014b).

The education system of Nepal consists of a primary (five years), a lower secondary (three years), a secondary (two years) and a higher secondary (two years) level. To attend the higher secondary level, students have to pass the School Leaving Certificate (SLC) examination. After another two years they are enabled to apply at one of the nine universities of Nepal. However, after the lower secondary level students can also choose to attend a vocational training institution which prepares them for a Technical School Leaving Certificate (TSLC) within two years which enables them to apply for a technical degree at a university (CBS 2014b).

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<sup>15</sup> There are different approaches to calculate the economically active population. CBS (2014b) states a proportion of over 54,8 % in 2011 to be economically active. Though both CBS reports do not describe in detail how these numbers are computed, slightly different approaches might explain the huge disparity. For the numbers to be comparable, regarding the employment situation in Nepal I refer to the results of the Labour Force Survey (CBS 2009) - if not explicitly stated otherwise.

<sup>16</sup> For reasons of comparability the unemployment rate of 2009 is stated. For current rates please see <https://www.amstat.ch/v2/index.jsp?lang=de>.

An estimated 84.000 students are enrolled in a TVET institution. However, to get access to these institutions (or a university) students have to pass the 10th grade and show their SLC, which leads to a high number of youths being left out. Furthermore, the ADB (2014) lists some challenges the TVET sector itself has to tackle: i.a. the fragmentation of public TVET provision among 10 different ministries and governmental agencies, which in combination with an insufficient authority leads to a lack of coordination, the unsteady political situation delays parliamentary approval for policies and plans, many private providers lack the facilities and trained staff to provide good-quality skills, but the CTEVT does not have sufficient resources to monitor all private providers and, finally, the CTEVT occupies all functions including policy development, quality assurance and training delivery, which might lead to a conflict of interests. Nevertheless, the TVET system in Nepal is determined by a growing awareness of the importance of skills, skills testing and the development of curricula, for which CTEVT is increasingly extending its capacities. In addition, Nepal is known for its implementation of performance-based contracting, its most prominent example being the Employment Fund (cf. 6) (ADB 2014).

Yet, the majority of students is enrolled in academic education. In 2010, 10,63 Mio. students were enrolled in educational institutions (primary to tertiary level) (World Databank). However, analyzing total numbers might distort the school system's reality. According to the Nepal Living Standard Reports (CBS 2014b) 77 % of the boys and 80 % of the girls aged five to nine years attended primary education in 2010/2011, but only 13 % of the boys and 12 % of the girls aged 15 or 16 years attended higher secondary education. At tertiary (university) level the number of girls between 17 and 22 years dropped to 9 %, whereas the number of boys stayed stable at 13 %. This indicates a high amount of drop-outs at higher levels of education. Hence, it indicates a high amount of youths entering the labor market untrained and without certified skills.

### 5.1.2.3 Social exclusion

Over hundreds of years kings and politicians largely neglected Nepal's cultural diversity and declared Nepal as a Hindu Kingdom (ignoring other religions, for example Buddhism and Islam) and Nepali as the official language (ignoring more than 123 other languages and dialects [CBS 2014b]) (cf. 5.1.1). Nepal's Eighth Five-Year Plan<sup>17</sup> (1992-1997) addressed caste and ethnic issues for the first time. In addition, it acknowledged gender-based discrimination (but failed to define it). Nepal's Tenth Five-Year Plan (2002-2007) formally recognized that political represen-

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<sup>17</sup> After signing the first foreign aid agreement in 1951, Nepal's government presented its first five-year plan in 1956 outlining the difficulties Nepal and its population is subjected to. Since then a plan is commissioned for every five years (with occasional disruptions for up to two years) illustrating the government's plans for the country's economic development in various aspects, e.g. infrastructure, employment, etc (Udry 2014). Each plan depended heavily on foreign aid (Sharma et al 2014).



tation and empowerment is one key factor to fight poverty. However, caste, class and gender discrimination is still widely practiced, which leads to the exclusion of many Nepalese from important resources, for example education and economic participation (WB and DfID 2006).

In literature, the term "disadvantaged groups" (DAGs) is often used to refer to those socially excluded. These are Dalits, Janajatis, women, especially widows, physically disabled, internally displaced, HIV/AIDS infected etc. (e.g. EFS 2014a). In the following a few examples of consequences of the social stratification for many Nepalese are outlined:

To get access to education and employment opportunities in Nepal, proficiency in Nepali is required. However, the Census 2011 revealed that only 44,6 % of the population speaks Nepali as their mother tongue. Especially ethnic/caste groups from the Terai region often do not speak Nepali at all. Consequently, literacy is lowest among groups with a low social status, for example Terai Dalits (34,5 %) (CBS 2014b).

The ADB (2009) states in its country diagnostics study of Nepal that even though the poverty level of Nepal is decreasing, Dalit, Hill Janajati and Muslims are the groups benefiting the least from the decline. Furthermore, Nepal's report on caste-based discrimination (IIDS 2008: III) lists 205 existing caste-based discrimination practices. Discriminatory practices against Dalits are, for example: Entry into houses and temples as well as access to common resources like water taps is often denied; denial of inter-caste marriages; forced labor; children will often not attend school if a teacher belongs to a Dalit caste. Moreover, such discrimination is widely practiced among "high-caste" Dalits and "low-caste" Dalits as well and the socio-economic situation of Terai Dalits is often worse than of Hill Dalits (Ibid 2008).

Women face additional kinds of discrimination compared to men, not only based on their caste and/or ethnicity, but also on their gender. Among others: If food is scarce women eat last in 70 % of the households leading to malnourishment (United Mission to Nepal 2004; cited in FIAN 2011: 10). In most cases women do not possess land and they are not allowed to inherit property (FIAN 2011). Thus, women have difficulties in getting access to loans as creditors often require land as collateral (ADB 2013). Dalit women are facing discrimination from multiple sides: by higher castes, as well as Dalit men. In addition to, for example, denied access to and control over resources such as land, they are more prone to get raped by higher castes as well as by Dalit men than women from other castes (IIDS 2008).

To conclude, "unequal distribution of means of production, assets and social and economic status among different groups of citizens, including the caste-related and gender-related biases, is one critical factor leading to increasing poverty, hunger and malnutrition in the country" (FIAN 2011: 2).

## 5.2 The role of Public-Private Partnerships in Nepal

As mentioned above, Nepal has one of the lowest levels of socio-economic development in the world. About one-fourth of the population lives under the poverty line of 1,25 US-Dollar per day (MOF 2015). According to UNCTAD (2014) it is the "least developed country" in South Asia. Nepal's vulnerability to multiple natural hazards, e.g. floods and earthquakes, as well as constant social and political conflicts amplify its difficult socio-economic situation (cf. 5.1). As the government is not able to minister many important tasks, e.g. building infrastructure, providing education and other services, by itself (e.g. Von Einsiedel et al. 2012), the private sector plays an increasingly important role.

In Nepal the notions "Public-Private Partnership" and "State/Non-State Partnership" are often used interchangeably (Marasini et al. 2015), emphasizing the broad definition of PPPs, which includes the partnership between governmental agencies and NGOs. In 2011, the GON published a white paper<sup>18</sup> on Public-Private Partnerships policies. The paper defines the regulatory, institutional, legal and financial framework of a PPP and identifies three main types:

- revenue-based,
- availability-based and
- hybrid-based PPPs.

Within revenue-based PPPs the private actor receives revenue only through the collection of user fees. Availability-based PPPs rely on financial contributions from the public partners and hybrid-based PPPs rest upon a mixture of different financial resources.

The paper further addresses several challenges regarding the implementation of PPPs in Nepal, i.a. a high proportion of the population living below the poverty line, which leads to a lack of people being able to afford user fees if necessary, limited financial resources of the GON, a lack of experience in project based financing, social inequalities, and a lack of sufficient infrastructure, which has deterred - in combination with a high risk perception (especially during the civil war) - many international investors so far from engaging in PPPs in Nepal.

PPPs are rare at the national level but they are increasingly common at the local. The GON is extending its efforts in promoting PPPs and providing sufficient frameworks and conditions for them to thrive. The GON regards PPPs as an effective tool for building infrastructure and delivering important services, e.g. health and education services (Srivastav and Shakya 2012,

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<sup>18</sup> A so-called white paper is used by governments to illustrate policies before the actual legislation. Though the paper was released in 2011, an official - known and available - policy regarding PPP still does not exist.

Amirullah 2014). Nevertheless, so far no overall policy framework regarding PPPs has become effective (Marasini et al. 2015).

The relevance of PPPs might even have increased after earthquakes struck Nepal in April and May 2015. According to the NPC (2015) about 900.000 buildings were destroyed or partly damaged. The earthquakes not only left behind many people dead, injured and/or homeless, but also severely affected the country's whole economy. The World Economic Forum (WEF 2015) points out that in order to enhancing the country's resilience against such natural risks Nepal's reconstruction has to be addressed by a multi-stakeholder approach, i.e. PPPs. It proposes several possibilities for engaging the private sector, for example by using their expertise regarding engineering and construction work.

### 5.2.1 Public-Private Partnerships in education and training in Nepal

The relevance of the private sector in the provision of education in Nepal is growing. In 2007 8,6 % of the children receiving primary education (grade 1-5) were enrolled in private institutions. The number increased to 15,1 % in 2013, which is a raise of 6,5 % compared to +0,7 % in Switzerland (cf. Tab. 4). Enrolment in private institutions providing lower secondary education (grade 6-8) increased to a smaller extent compared to primary education (Nepal: +2,9 % and Switzerland: +0,9 %), nevertheless the constant growth over the years is distinct.

**Tab. 4: Enrolment rates in private institutions in Nepal and Switzerland**  
(Datasource: World DataBank).

	<b>Enrolment in private institutions (%)</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Nepal</b>	Primary education	8.6	10.2	n. d.	13.2	11.9	14.0	15.1	15.4
	Lower secondary education	12.8	13.0	n. d.	14.8	13.6	14.7	15.7	15.5
<b>Switzerland</b>	Primary education	4.1	4.2	4.5	4.6	4.9	4.8	n. d.	n. d.
	Lower secondary education	7.3	7.7	8.0	8.0	8.2	8.2	n. d.	n. d.

The total amount of students enrolled in private institutions in Nepal was 2,09 Mio in 2014, in Switzerland 156'900 in 2012.<sup>19</sup> (World DataBank) The role of the private sector in tertiary education is immense. According to the World DataBank in 2011 61,7 % of all students in Nepal at

<sup>19</sup> Unfortunately the database is incomplete with data being available for Switzerland until 2012 and for Nepal until 2014, but only in part for previous years (e.g. 2012). The database does not distinguish between public and private institutions at tertiary level. Thus, *the number of students in tertiary education are excluded from the total amount of students at private institutions*. However, *percentages* for the tertiary level are available, but not for all levels combined.

the tertiary education level were enrolled in private institutions, which is an increase of 5,9 % compared to 2008. In Switzerland, the share increased from 17,4 % in 2008 to 18,1 % in 2012.

Public schools in Nepal are losing their students to private schools as they (are believed to) provide lower quality education. As private schools are often charging fees their accountability towards their students increases, obliging them to provide a sufficient quality in education (Aslam 2009, Ghimire 2014). Some private schools increase their fees (sometimes against the governmental directives) to such an extent that only high-income families can afford them ("Private schools seek to double fees" 2015), leading to a two-tier education system. However, at the same time the increased competition urges public schools to extend their effort in providing higher-quality education (cf. 4.3).

Approximately 84'000 students are enrolled in TVET in Nepal.<sup>20</sup> The number of private institutions providing training to these students increased from three in 1991 to more than 450 in 2011. However, as many institutions require a SLC, the majority of youths are still excluded from the training. On the one side, in contrast to the academic education system, many private TVET institutions exhibit a lower performance compared to public institutions caused by chronic vacancies, low attractiveness of remuneration, inadequate spending on material inputs, lack of monitoring and evaluation as well as lack of incentives for good performance. On the other side, public provision of TVET is determined by a high degree of fragmentation among different government departments. CTEVT, as organizational and managerial center of TVET, lacks authority and ability to coordinate the provision across these departments (cf. 5.1.2.2) (ADB 2014).

About 0,2 % of the total GON spending is spent on TVET. Besides being underfunded the resources of TVET often are not efficiently used. The ADB (2014) argues that Nepal's TVET sector should start with systematically measuring the costs and coordinating public and private provision of training to avoid duplication. Further, a larger resource base is needed. CTEVT is aware of its shortcomings and developed a Strategic Plan for 2014-2018 that includes i.a. the enhanced implementation of PPP to combine the strengths of the public and the private sector (CTEVT 2014b). Though, CTEVT's plan is not the first governmental document elaborating on the relevance of the private sector for education. The role of the private sector in education was already illustrated in Nepal's Eighth Five-Year Plan (1992-1996). The Tenth Five-Year Plan introduced a policy for the involvement of the private sector in provisioning education, aiming at increasing

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<sup>20</sup> Which is only a small fraction compared to around 4,7 Mio. students enrolled in academic education in 2013. The number excluded the primary and lower secondary level which are supposed to be attended by all students before entering public (and in part private) TVET. However, this is clearly not always the case due to projects like the Employment Fund. The total number of students enrolled in academic education (primary to tertiary level) is about 11,23 Mio. (World DataBank).

competition and thus quality and efficiency, within the "education market". In the Three-Year Interim Plan (2008-2010) the GON eventually emphasized the importance of partnerships with the private sector (Koirala 2015).

It is important to keep in mind that not all private institutions are necessarily based on a PPP.<sup>21</sup> Nevertheless, as illustrated above, by the growing significance of private institutions and the government's failure to provide adequate education and training, the concept of PPP is gaining incremental popularity in Nepal. The majority of PPPs is established in cooperation with the health sector (cf. Newell et al. 2004, Marasini et al. 2015), but PPPs can also be found in the education sector. For example, part of Nepal's Education for All (EFA) program was the allocation of School Management Committees to public schools aiming at the improvement of their efficiency and institutional capacity. These committees consisted of various stakeholders from the respective local communities (e.g. parents, community leaders). Thus, many public schools are factually managed by the community, while the government is responsible for financial and human resource issues (e.g. hiring and firing teaching staff) (Norad 2009, Koirala 2015).

Another example is Bandipur Campus, a public college in Western Nepal. After most of its students experienced difficulties finding employment the college entered a partnership with the local hospitality sector, trying to simultaneously promote tourism. The college introduced a vocational course for youths with at least an 8th grade education (but the focus lies on the skills, which are tested with an entry exam, not a certificate). The private partner, i.e. owners of local hotels, restaurants etc., sponsor at least one student by paying his/her tuition fee and providing accommodation and boarding. In turn, the students have to work in their sponsor's business and can thereby apply the skills they are concurrently learning at the college (Adhikary 2014).

Though references to (potential) PPPs in TVET (and education) are abundant and the number of actual projects is increasing, detailed analysis and evaluation of such a project in this sector are not to be found (cf. 1.4). In addition, most projects are focusing first and foremost on the outcomes rather than the relationships between the actors involved in the project.

The Employment Fund (EF) is one of the most prominent and extensive projects within the TVET sector based on a PPP (cf. 6) and several projects adopt (parts of) its principles, for example EVENT (cf. 1.4). The EF shall be introduced in detail in the next chapter.

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<sup>21</sup> However, this, again, depends on the definition of a PPP. Every private school is subject to restrictions by the government, needs to obtain an operating license and has to adapt its fees to governmental directives. Still, not every school faces consequences when not conforming to these regulations (Ghimire 2014, "Private schools seek..." 2015).

## 6 Case study: The Employment Fund

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The Employment Fund (EF), established under a bilateral agreement between the Swiss Agency for Development and Cooperation (SDC) and the Government of Nepal (GON) in 2007 and operating since 2008, aims at contributing to the mitigation of above described social injustices by providing socially discriminated groups with training opportunities, hence improving their employment outlook. In 2009, the Department for International Development (DfID) and the World Bank (WB) started co-funding the project through separate project agreements with HELVETAS. HELVETAS is operating the Employment Fund Secretariat (EFS), which is managing the EF. The Employment Fund Steering Committee (EFSC), chaired by the Joint Secretary of the Nepal Ministry of Education (MOE) and including representatives of the GON and the donor agencies, is the governing body of the EF. The program was supposed to end in 2013 but due to its great success its donors decided to extend their funding period. The program ended in June 2015 (EFS 2015a).

### 6.1 Objectives

The EF's overall objective is to provide short-term (390 hours in about 3 months) vocational and business skills training to economically and socially discriminated youths aged 18 to 40 years in order to facilitate their entry into the national labor market.<sup>22</sup> Addressing the issue that under-employment is more common among the population in Nepal than unemployment, the aim of the project is not only to include the youths into the labor market but also to ensure their gainful employment, defined as earning at least NPR 4'600/month. "Discriminated youths" are youths belonging to disadvantaged groups (DAGs), that is Dalits, Janajatis, women, especially widows, physically disabled, HIV/AIDS infected etc. They often do not achieve a SLC and are therefore non-eligible for most official education and training programs in Nepal. Within the EF, youths who dropped out of school or who are illiterate are prioritized (EFS 2014b, 2015a).

### 6.2 The EF as Public-Private Partnership

The EF is based on a Public-Private Partnership (PPP). The EFS is cooperating with the private sector, specifically with so-called Training and Employment Service Providers (T&Es), to implement its objectives. The T&Es are responsible for analyzing the national market conditions, preparing training plans, reaching the target groups, conducting the application process and train-

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<sup>22</sup> As analyzing international markets is very costly and time-consuming and hence the Training and Employment Service Providers (T&Es) lack the resources to do so, the EF does not explicitly promote training for foreign markets. However, due to an increasing migration rate and sometimes precarious conditions for Nepalese workers abroad because of their lack of specific skills, future programs might consider this analysis worth the effort (Personal communication with EF Team Leader, 24.02.2015, Kathmandu).

ings, and ensuring gainful employment for their graduates by providing them with linkages to employers or credit institutes. In return, the EFS enhances the T&Es' training and management capacities by providing them with information, for example about how to analyze the local labor market. The T&Es receive result-based incentive payments varying according to the category to which a trainee belongs (cf. Tab. 5) as well as to the number of trainees graduating and the number of graduates finding gainful employment (cf. 7.2.3.2). In addition, the implementation by T&Es is closely monitored by Monitoring Officers of the EFS (EFS 2015a).

### 6.3 Program and results

The EF program is composed of two components: Path to Prosperity (P2P) - which is the major component - and Micro Enterprising for Job Creation (MEJC). Both components comprise the provision of technical and soft skills to poor and discriminated youths. However, the focus of P2P lies on gainful employment, whereas MEJC targets youths who want to establish their own enterprise and provide additional employment, e.g. to P2P graduates. Youths targeted by the MEJC program do not necessarily fall under the category of "poor".<sup>23</sup>

**Tab. 5: Categorized target groups of the Employment Fund** (Adapted from EFS 2015b).

<b>Category</b>	<b>Path to Prosperity (P2P)</b>	<b>Micro Enterprising for Job Creation (MEJC)</b>	<b>Proportion of training costs as incentives</b>
<b>A</b>	<i>Economically poor</i> women from discriminated groups	Women from discriminated groups	80 %
<b>B</b>	<i>Economically poor</i> women from all castes/ethnicities	Women from all castes/ethnicities	70 %
<b>C</b>	<i>Economically poor</i> men from discriminated groups	Men from discriminated groups	50 %
<b>D</b>	<i>Economically poor</i> men from all castes/ethnicities	Men from all castes/ethnicities	40 %

<sup>23</sup> The EF bases its definition of "poor" on the poverty mapping of the Poverty Alleviation Fund (PAF) and the Local Governance and Community Development Program (LGCDP), operated by the GON. Their evaluations are mostly based on income and food sufficiency. Youths who are categorized by PAF and/or LGCDP as poor or extremely poor - or can prove otherwise that they belong to a disadvantaged group - are eligible for the training (EFS 2014b).

The spectrum of technical skills ranges from construction, plumbing, mechanical and electrical training over cooking and hospitality to tailoring and agricultural skills (among others). Participants in the P2P program receive additional training in soft skills. Soft skills include life skills (e.g. labor rights, work attitude, self-awareness, health, communication, decision making), functional literacy and numeracy (if necessary and possible) as well as business skills (e.g. business planning, financial literacy, tax issues). However, while each trainee takes part in a one-day orientation on business skills, only the ones interested in self-employment or participating in the MEJC program are provided with in-depth business skills. The MEJC program does not include the provision of life skills or literacy as it is assumed that the applicants already possess these skills. Furthermore, T&Es must ensure paid on-the-job training (OJT) for P2P trainees and if possible for MEJC trainees for at least one-third of the whole training. Especially the former often rely on the income generated by OJT. In addition, every product manufactured within the training is handed over to the trainee, providing them with the opportunity to sell his/her products (EFS 2014b,c).

The Employment Fund started in 2008. By its end at least 92'000 youths graduated from the project and approximately 80 % found a gainful employment for at least six months after the training (EFS 2015a).

#### **6.4 Special challenges for development agencies in Nepal**

As illustrated in Chapter 5, when implementing development projects like the EF, development agencies have to deal with certain challenges. The political instability makes it difficult to plan in the long term as its constant changes in political leadership delay parliamentary approval for policies and plans and might, for example, significantly alter bureaucratic procedures or access to certain resources. A recent example is the officially undeclared blockade of the Nepali-Indian border by protesting Janajatis, as well as India, which led to a shortage of several resources, e.g. gas and humanitarian supply.

Development agents have to consider the social stratification of Nepal. Women, Dalits, Janajatis and other disadvantaged groups are often left behind as they do not have access to important resources like education. The access might be denied due to the hierarchy of the caste system, but also indirectly due to language differences or the remoteness of many villages. Thus, mobile trainings gained significant importance in recent years. Yet, Mobile trainings, might be connected to an increase in planning and financial efforts, especially if the local languages are taken into account.

Furthermore, women and disadvantaged groups often have difficulties in receiving loans as they do not possess land as collateral. This is especially important within projects supporting self-employment, like the EF, as self-employment is usually related to an initial investment, for ex-



ample, in working tools. In addition, people opting for wage-employment often face underemployment. Development agents within the skills sector might have to constantly verify the needs of the market to ensure their target groups' success in finding (gainful) employment. In addition, many Nepali, especially young men, migrate to other countries, possibly complicating the agents' goal to prepare them adequately for the labor market as the conditions of each market might be different.

Finally, the public TVET system faces several challenges itself, e.g. a lack of authority of the CTNET, hence, development agents increasingly integrate private sector actors for the implementation of their projects.

## 7 Dismantling the social interface of the public and private actors within the Employment Fund

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In order to analyze the role of the private sector (i.e. the T&Es) within the EF and to assess possible contradictions among the interests of the EFS and T&Es as well as the overall effect of the T&Es on the project's implementation, a particular focus of this study lies on the social interface of the EFS and the T&Es. This shall be extensively discussed in the following chapter.

Social interfaces often emerge in situations where different lifeworlds (i.e. perceptions, interests, values) interconnect (Long 2001) (cf. 2). In this case, the nodes of interconnection (e.g. directives by the EFS) between the EFS and T&Es will be illustrated to analyze their relationship. In addition, as the relationship between T&Es and beneficiaries is crucial for the EFS to achieve its goals and is largely determined by the relationship between the EFS and T&Es, the interconnections between T&Es and beneficiaries are described to figure out potential areas of conflict, which will be discussed in Chapter 8.

Training and Employment Service Providers (T&Es) occupy a crucial position within the Employment Fund (EF): They are responsible for

- choosing the trades they want to conduct training in (which might indirectly influence the trainee's chances for employment depending on the market demand),
- preparing a training plan,
- reaching to the target groups,
- conducting the application process (i.e. selecting the trainees) and trainings, and
- facilitating gainful employment for their graduates by providing them with linkages to employers and/or credit institutes.

Nevertheless, they are private for-profit institutions, i.e. they do not receive funding as it is the case with the EF and have to gain some kind of financial or in-kind profit to sustain to be interested in a cooperation. As a consequence the demands, expectations and working routine might differ tremendously compared to a non-profit actor like the EFS. For an analysis of the different roles and interests of the private and public actors within the EF I draw upon the concept of the above outlined actor-oriented approach (cf. 2.1).

### 7.1 Applying the conceptual framework

This study draws upon the actor-oriented approach as it allows to assess the process of negotiations within non-profit development projects collaborating with for-profit private sector companies. In this thesis the actor-oriented approach allows the analysis of those processes through which the private sector actors, i.e. the T&Es, determine the implementation of the project's pol-

icies and guidelines developed by the Employment Fund Secretariat (EFS). Meaning, that it can be studied how much or what kind of power the T&Es have within the Employment Fund and whether there exist any conflicts of objectives between the agents (T&Es) and the principal (EFS). The focus of this study lies on the *perception* of the T&Es and the EFS of their role and the role of the other.

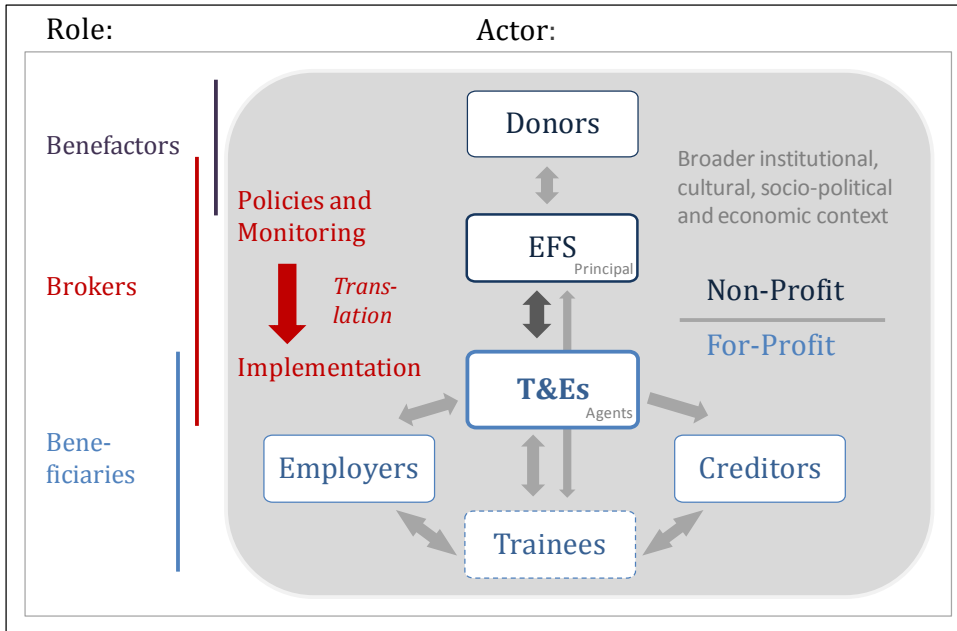
The concept of 'arena' is a useful point to begin with. An arena may be a development project, in this case the Employment Fund. Long (2001: 59) argues that the notion of "arena is [...] especially useful [...] when analysing development projects and programmes, since intervention processes consist of a complex set of interlocking arenas of struggle, each characterised by specific constraints and possibilities of manoeuvre." Olivier de Sardan (2005) adds that interpreting development projects as arenas is useful in order to illustrate their resting upon negotiations and the consequential unpredictability of their outcomes. He further outlines the encounter of two different knowledge systems within the arena of a development project: popular technical knowledge and scientific technical knowledge.

Popular technical knowledge refers to various skills that have been acquired by experiences. It is not based on a theory (in the academic sense of the term) and often occurs locally. In comparison, scientific technical knowledge is more formalized and standardized. Olivier de Sardan (2005) states that the latter is usually found in the culture of development "professionals". Development projects, which introduce scientific technical knowledge, are typically implemented when the local (popular technical) knowledge is perceived by development actors to be less effective to achieve certain outcomes (which are generally also defined by development actors). Without wanting to make monolithic ascriptions, the capacity building of T&Es as well as the guidelines provided by the EFS might be interpreted in this sense. The EFS imparts its (mostly scientific technical) knowledge to the T&Es, who integrate it into their (mostly popular technical) knowledge to achieve best possible results. Put plainly: The EFS provides the theoretical background and the T&Es translate it into practice. There is no implication of any hierarchy between the two different knowledge systems.<sup>24</sup>

As stated above, this study does not analyze the Employment Fund from an actor-oriented point of view, which would include all its actors. The study's focus lies on one social interface: the partnership between T&Es and the EFS. However, it is essential to have an overview of the most relevant actors involved to get a deeper understanding of the role of the T&Es and their relation to the EFS (cf. Fig. 3).

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<sup>24</sup> It is certainly not assumed that the EFS and the T&Es solely possess one kind of knowledge. However, the field research revealed that they do not hold the same kind of knowledge to the same amount, which leads to the complementary partnership the whole project is based on.



**Fig. 3: Actors and their relations within the Employment Fund** (Own illustration). Within the framework of the Employment Fund there exist six main actors: the donors, the EFS, the T&Es, the target groups (the trainees), and the employers and creditors. These actors broadly occupy three main roles: benefactors, brokers and beneficiaries. However, these categories are not defined by strict demarcations and one actor may possess different roles depending on the context. They rather are indistinct concepts that are applied to illustrate the overall structure of the EF and the key roles the actors play.

The donors act as benefactors as they are financing the EF<sup>25</sup>. In addition, they specify certain desired outcomes, which the EF has to achieve and demand accountability from the EFS. In turn, the EFS manages the project in Nepal by, inter alia, developing guidelines and monitoring the T&Es (cf. 7.2.3).

Following the above outlined argumentation the donors and the EFS are part of the non-profit development sector, the latter financed mostly by the Swiss government, while T&Es belong to the for-profit private sector, depending on profit to subsist. Meaning: within the relation be-

<sup>25</sup> One could argue that the donors are 'brokers' as they are allocating money they get, i.a. from the Swiss government. Nevertheless, following this chain of reasoning, one could go even further and claim that the Swiss government 'only' has a mediating function as well by allocating money they get, i.e. from the Swiss population. This in mind I decided to draw the line between donors and government, as the donors are the first actors who stand in direct contact to the Employment Fund.

tween T&Es and the EFS two different working systems with different values, understandings and needs collide. This inevitably leads to renegotiations of the *modus operandi*. The T&Es implement the project, i.e. they translate policies and guidelines into practice mainly by conducting the training and providing their trainees with linkages to employers and creditors (cf. 7.2.6 & 7.2.7). Thereby they act as brokers between the EFS and the target group.<sup>26</sup>

Drawing upon the Principal-Agent-Theory one can detect several relations within the EF which are based on a contract. The most relevant one for this study is the relationship between the EFS (as the principal) and the T&Es (as agents). However, one can detect several other relationship patterns within the project, which may be described by the Principal-Agent-Theory. These are not part of this thesis but shall be mentioned to clarify the theory. For example the relation between donors and the EFS, the T&Es and the beneficiaries<sup>27</sup> or between the head office of the EFS and its Monitoring Officers.

As stated above, this thesis analyses the described clash of "lifeworlds" (e.g. knowledge systems, interests, desired outcomes, implementation strategies) of the non-profit (public) and the for-profit (private) sector, with a focus on the role of T&Es and especially their power within the EF. Giddens' (1984) concept of agency, Long's (2001) actor-oriented approach which places a specific focus on relational power, Olivier de Sardan's (2005) concept of institutional power, and some of the power concepts that are classified by Art and Van Tatenhove's (2004) (cf. 2.1) allow me to assess the role of the T&Es in more detail.

Finally, it is important to note that for reasons of simplification the T&Es are addressed as one actor. However, they are rather a collective of different actors, each expressing various opinions and beliefs, and acting differently. This is, as is illustrated later on, especially true for the T&Es, but also the EFS staff. The room for maneuvering of the EFS staff is restricted as they mostly act along aligned policies and guidelines, hence "speak with one voice". However, as some staff members of the EFS also work in the field and monitor the T&Es, it is assumed that they, too, have the possibility of "translating" these guidelines into practice according to their individual perception of the development project, i.e. the arena.

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<sup>26</sup> . If taken literally, T&Es also fall under the category of "beneficiaries". However, if not stated otherwise the term is used here as it is used by the EFS: Beneficiaries are the target groups, i.e. socially and economically discriminated youths, who are supposed to benefit the most (not only financially) from the project's policies.

<sup>27</sup> The relationship between T&Es and beneficiaries is not based on a contract but relies on similar rules: The T&Es provide the beneficiaries with training and support and in turn the beneficiaries (indirectly) provide the T&Es with the EFS' payments by finding a gainful employment.

## 7.2 The social interface of T&Es and the EFS

### 7.2.1 The selection of T&Es by the EFS

The selection of T&Es is based on an open-bidding process aiming at cooperating only with the most capable private actors (cf. Fig. 4) (cf. EFS 2009).

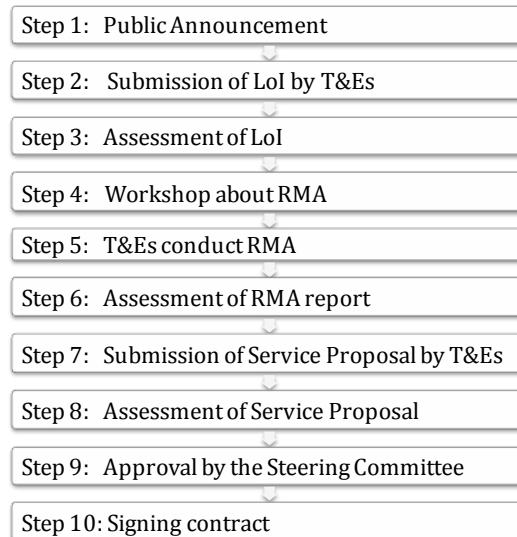
The EFS announces the project by calling for Letters of Intent (LoI) in the national newspapers as well as online (EFS 2013b). Interested training providers, which are registered at the Company Registrar's Office under the Companies Act<sup>28</sup>, can apply by submitting their LoI. The EFS provides guidelines defining the content of LoI (EFS 2014d), which includes a detailed description of the company (e.g. legal status, shareholders, main purpose, geographical regions of operation, types of skills, target groups) and information on the organizational competence (e.g. no. of people trained, effectiveness of training, monitoring system, innovations, ways of obtaining information, network, assets, annual financial turnover). The criteria of the LoI get assessed by the EFS on the basis of a scale from 0 to 3 (EFS 2012b). For example, the proven success of gainful employment is checked: an employment rate of below 60 % adds 0 points to the overall score, a rate above 80 % adds 3 points. Depending on the importance of the category for the EFS the criteria are differently weighted (the points are multiplied accordingly). Qualitative criteria are evaluated by a scale from "not existent" (0) to "high" (3). Though, the respective stages are not clearly defined. In order to qualify for the next procurement step, the applicant needs to achieve a score of at least 60 (of 102).

After selecting potential T&Es an orientation on Rapid Market Appraisal (RMA) (a 2-3 days' workshop) is organized by the EFS. RMA is a tool for assessing which skills are needed on the market by screening the market demands in advance (i.a. by identifying potential employers in the labor market and conducting interviews with key informants) (EFS 2015c). The amount of time T&Es are able to invest in such an assessment varies. The RMA is supposed to be done in about 10-12 days.

Once the T&Es conducted the RMA and submitted a proposal illustrating their targets and ways for achieving them (in form of a Service Proposal), the T&Es get assessed once more regarding their organizational capacity, client orientation (e.g. men/female ratio), monitoring and quality assurance system, presentation of the service proposal (e.g. clarity on training activities, curricula and outcomes) and cost competitiveness. Before signing a contractual agreement, the Steering Committee of the EF has to approve the EFS's choice of T&Es (EFS 2009).

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<sup>28</sup> The Companies Act was introduced by the GON in 2006, regulating how to incorporate a company in Nepal. The Company Registrar's Office is responsible for the administration of companies (cf. MOI 2006).



**Fig. 4: Selection process of T&Es**  
(Adapted from EFS 2009, HELVETAS n. d.).

### 7.2.2 Guidelines and regulations for T&Es by the EFS

The EFS provides guidelines and templates for T&Es for a variety of different aspects of the EF. Among them are guidelines and templates for the Letter of Intent (cf. 7.2.1), implementation and reporting of RMA and the cost proposal - all of them have to be submitted by the T&Es during the application process and directly or indirectly regulate the training afterwards.

For example, the cost proposal (EFS 2014e) stipulates, i.a.,

- that T&Es are allowed to reckon not more than two trainers for P2P and three trainers for MEJC training,
- the financial literacy workshop for MEJC needs to be conducted within two days and the soft skills training for P2P within five days,
- food and accommodation for P2P trainees are provided for maximum 30 % of the T&E's trainees, for 65 days at most and not exceeding NPR 200 per person and
- the maximum costs of training are fixed at NPR 22'000 per person (NPR 25'000 for remote areas).

As the EFS (2014e: 2) states: "Proposed cost above these ceiling will not be entertained and will not be negotiated further. T&Es are encouraged to be cost competitive within the given budget ceiling."

The implementation of MEJC and P2P training by T&Es is guided by EFS' regulations as well (cf. EFS 2014b,c). Beside the description of the project's general objectives and the target group, it is stated, i.a.,

- which information the course announcement of training should contain,
- the selection process of trainees (cf. 7.2.5),
- the training duration (390 hours, ideally 5 hours per day),
- components of training (e.g. technical training, business plan, soft skills, on-the-job training) and their duration and
- the T&Es' tasks after the training (e.g. provision of skills test, financial linkages).

For additional training courses like business and soft skills detailed manuals are available for the T&Es. These manuals include a schedule determining the order and content of each lesson. Further, they entail detailed instructions about activities, time of activities, methods and materials for each lesson. For example, for the first lesson of business skills the manual illustrates the following activity: "Welcome participants by showing the paper where 'Welcome (any word/words representing Welcome in local language)' is written" (Shrestha et al. n. d.: 6). This activity is estimated to last 10 minutes.

### **7.2.3 Monitoring of T&Es by the EFS**

The EF is based on an extensive monitoring of the T&Es' tasks by the EFS. The monitoring process is divided into two parts: process monitoring and results (outcome) monitoring.

#### **7.2.3.1 Process monitoring**

The T&E's activities during the implementation are monitored by the EFS at different stages: pre-training, during-training and post-training. Before the training starts Monitoring Officers (MOs) are checking at 60-75 % of the training events<sup>29</sup> for example whether the T&E's course announcement, the extent of applications and the planned training logistics are sufficient. Additionally, the selection of trainees is monitored. During training the technical standard of training, the trainer's competence, the attendance and punctuality of trainers and trainees and support facilities (e.g. training tools) are reviewed at all training events. At the end or immediately after the training the employment placement plans of T&Es, the attendance and results of trainees at the skills test, as well as the general employment placement support is checked. Furthermore, the overall management of the T&Es is monitored, e.g. the timely submission of reports and data uploading and the administrative and financial procedure. Each T&E is visited randomly at least

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<sup>29</sup> Personal communication with the EF Monitoring and Evaluation Coordinator, 21.01. and 24. 02.15, Kathmandu.



once before, during or after the training. Depending on the results of this visit or other issues MOs might purposively visit certain T&Es again (EFS 2012c).

If a MO detects a minor problem (e.g. the toilet facilities are not sufficient) he/she discusses it with the T&E coordinator or in case the T&E is providing training in different districts of Nepal it's representative at the T&E's regional office, and sets an ultimatum of five to seven days for improvement. If a major problem (e.g. trainees to not receive the required tools) is detected (or the minor problem not solved) the MO additionally reports it to the T&E manager, i.e. to its headquarter, and sets the same ultimatum. If the problem is not solved the respective line manager at the EFS is informed. After the line manager's verification of the situation the training event might be cancelled immediately or the T&E's contract will not get extended for another year, depending on the severity of the issue.<sup>29</sup>

### 7.2.3.2 Results (outcome) monitoring

For the results monitoring, random stratified samples of the graduates a T&E claims to be gainfully employed are jointly visited by the EF monitoring staff and T&E representatives three and six months after the completion of training. During the *three months' verification* a 10-15 % random stratified sample of graduates is verified.<sup>30</sup> It is verified whether he/she is employed (P2P) or whether he/she has established an enterprise (MEJC). During the *six months' verification* the graduates' six months' income (P2P) or job creation (MEJC) is verified for a random sample of 30-40% of graduates. If graduates are not immediately employed after training, T&Es can request a two months grace period, so that the income will be calculated over six months chosen out of a total of eight months after training.

The results monitoring is directly related to the financial disbursement that T&Es receive for their activities. The calculation of training costs is part of the agreement between a T&E and the EFS. The outcome price is based on this training costs, support costs (e.g. accommodation, food) as well as on the financial incentives linked to the target group categories the trainees belong to (cf. Tab. 5). The disbursement schema is divided into three stages: completion of the training (with attendance at the skills test) and the three and six months' verification (cf. Fig. 5).

For example, a T&E provides furniture making training with a calculated training cost of NPR 25'000 per person.<sup>31</sup> For a trainee from category A the T&E may receive an incentive payment of NPR 20'000 (=80 % of NPR 25'000). Thus, if the trainee graduates and finds a gainful employment the T&E receives an outcome price of NPR 45'000<sup>32</sup> (outcome price), divided into three

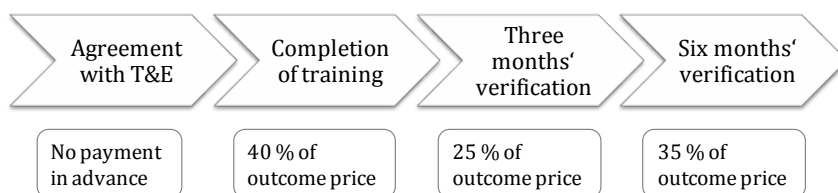
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<sup>30</sup> The trainee, his/her employer or the trainee's relatives are met in person, or the trainee is contacted via telephone.

<sup>31</sup> This is an actual example, obtained from the EF Database.

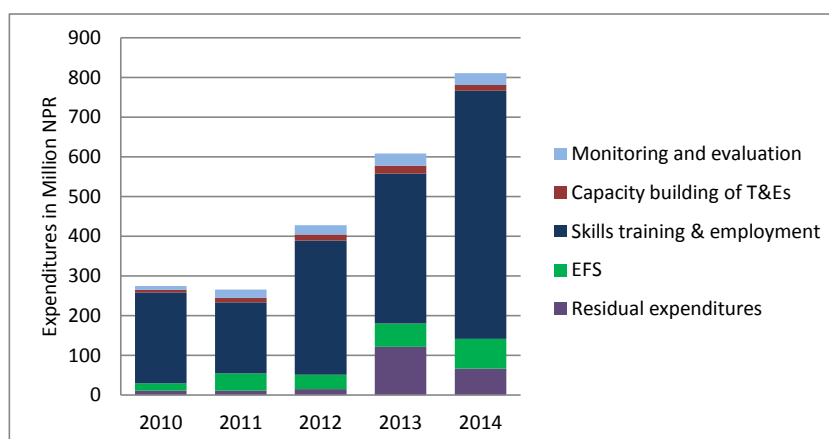
<sup>32</sup> NPR 45'000 = 387,16 EUR (Exchange rate: 07.01.16).

installments: 40 % after the trainee's completion of the training, 25 % after he/she found an employment and the last 35 % after the Monitoring Officer verifies that the graduate is gainfully employed. If the trainee graduates but does not get employed, 60 % or 35 % (if employed but not gainfully) of the outcome price is subtracted. Support costs are included in the outcome costs as well, however, the incentives are solely based on the direct training costs.



**Fig. 5: Results-based incentive schema** (Adapted from EFS 2015b).

In total, 63 % of the EFS staff is engaged in tasks referring to monitoring and evaluation, 93 % of them are MOs in specific regions in Nepal (EFS 2015). Despite the extensive monitoring system most of the capital is used for skills training and employment, i.e. training costs and incentives (cf. Fig. 6). Monitoring and evaluation account for about 5 % of the expenditures per year.



**Fig. 6: Financial expenditures of the Employment Fund between 2010 and 2014.** Residual expenditures are, i.e. spending on market research, product development and communication and outreach (Own illustration; data source: EF Annual Reports).

#### 7.2.4 Capacity building of T&Es by the EFS

In addition to financial incentives T&Es are provided with support regarding their capacity building, i.e. T&Es and trainers (not necessarily employed by T&Es yet) receive skills training as well (e.g. EFS 2014a). They are attending courses - conducted by either the EFS or the Training Institute for Technical Instruction (TITI) and paid by the EFS - and taught about, for example, soft and business skills, how to implement RMA, how to monitor, document and report, methodological competency, skills upgrading (depending on the trade they already have skills in) and

enterprise development. The training of trainers is supposed to increase the capacity of the T&Es in order to ensure high-quality training as well as to secure the sustainability of the project beyond its end by providing T&Es with the possibilities to continue with (and/or improve) their business.

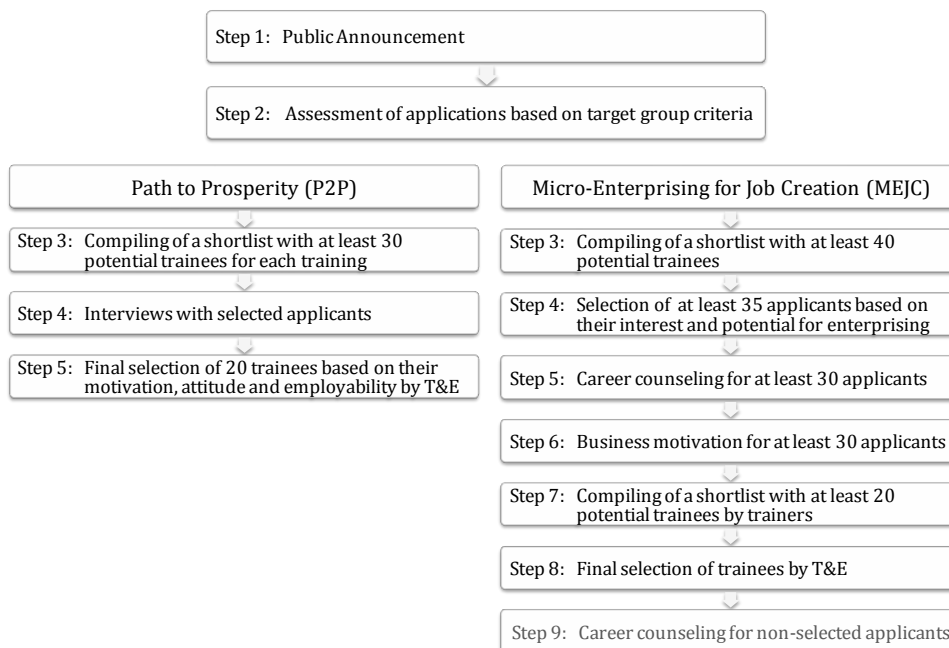
### **7.2.5 The selection of trainees by T&Es**

The selection process of trainees for P2P and MEJC is divided into 4 and 8 steps respectively (cf. Fig. 7). The first two steps are the same for both programs. They comprise the public announcement of the training and a first assessment of the applications regarding the applicant's affiliation to one of the EF's target groups. The T&Es are responsible for the public announcement and are expected to issue it via a variety of different media, as well as personal communication with local contact persons, associations, etc. (EFS 2014c). The first assessment of applicants is based on the target group definition by the EFS (cf. 6).

For P2P training, T&Es compile a list of at least 30 applicants who are eligible for the training. Youths only get accepted if they have a written proof issued by PAF or LGDCP of their economic and family situation. They do not have to obtain it themselves: The T&E is obliged to contact the PAF district portfolio manager or LGDCP staff. If many youths apply who are not registered at PAF or LGDCP, it is suggested by the EFS to list more than 30 applicants as the proportion of non-eligible applicants might be higher. In cooperation with PAF and LGDCP, (at least) 30 applicants are interviewed and the economic and family situation of the applicant is again verified. The applicants' profiles are submitted to the EFS. Among the 30 interviewed applicants, T&Es select 20 trainees based on their own assessment of the applicant's motivation, attitude and employability (EFS 2014b).

For MEJC training, the T&Es are encouraged by the EFS to attract at least 40 applicants for a training with 20 places and rate them according to the applicants' interest and potential for enterprising. For at least 30 candidates a two-days career counseling is conducted by resource organizations recruited by the EFS to encourage them to start their own enterprises and generate employment. It is expected that some applicants might change their mind after the counseling, thus, if there are less than 30 applicants for the career counseling, the T&E is expected to extend the application deadline and re-announce the training.

Afterwards, a five-day business motivation training is carried out for at least 30 candidates. The training entails basic business education (e.g. business planning, tax issues) and is conducted by a qualified resource organization. Subsequently, the trainers provide the T&Es and the EFS with a list of at least 20 potential trainees stating their possible occupation, family background, investment capacity, risk-taking ability, overall aptitude, personal motivation and interest. T&Es may choose all or any of these candidates (EFS 2014c).



**Fig. 7: The selection process of trainees within the P2P and MEJC programs**  
(Own illustration; data sources: EFS 2014b,c;).

Yet, the EFS provides T&Es with public announcement checklists, application forms, guidelines and forms for the interview conduction. In addition, EF Field officers are present during the interviews on a sample basis, acting as observers.

### 7.2.6 Implementation of training by T&Es

The implementation of training is closely guided by the EFS which provides a variety of different manuals and monitors the T&Es' activities (cf. 7.2.2 & 7.2.3). Hereinafter the role of T&Es during the training according to the guidelines shall be described, already indicating in a way their power regarding the content and schedule of the training, as well as the access of their trainees to additional support alongside the training.

#### Content of the training

After the T&Es selected a trade according to the results of the RMA, they are supposed to conduct the training based on the trade's specific curricula developed by the CTEVT. However, they may decide to provide their P2P trainees with skills at level two or with training on an additional trade within the same sector. This supplementary training is implemented over the course of one month (130 hours), either directly after the main training or later - as it is feasible for the T&E. As the curricula by the CTEVT cover longer periods, the T&Es are allowed to develop their

own curricula based on a reduced version of the CTEVT's curricula and depending on the market's demand (EFS 2014b,c).

As described above, in addition to technical training trainees receive training in several other skills, for example business skills, life skills, functional literacy and numeracy (cf. 6), some of them in cooperation with qualified trainers from other organizations, e.g. financial institutions. While the timeframe for most of these trainings is fixed (e.g. five days for life skills), T&Es may decide to offer literacy and numeracy training based on the demand of the P2P trainees, i.e. they decide about the necessity, time and duration of these trainings (EFS 2014b).

For MEJC participants, two "exposure visits" (to facilitate their interaction with successful entrepreneurs, which might serve as inspiration for establishing their own business) are integrated into the training. The EFS determines the approximate time when these visits take place, what topics should be covered (e.g. capital requirements, legal provision) and provides T&Es with a list of EF graduates, who successfully started a business. Nevertheless, the decision which businesses are to be visited is made by the T&Es (EFS 2014c).

### **Training schedule**

After the selection of trainees for the P2P program by the T&Es all participants jointly decide about the training schedule as many trainees have to earn a living alongside the training. However, the EFS suggests a daily training of about five hours, with an upper limit at six hours per day. Further, trainees have the right to one day off per week (EFS 2014b).

### **Additional support during the training**

Within the P2P program T&Es may propose participants who are eligible for additional support, e.g. accommodation. But the EFS does not cover the cost of accommodation for more than 30 % of the trainees. T&Es are required to plan as cost-effectively as appropriate (cf. 7.2.2).

Furthermore, they are responsible for the provision of child care, i.e. the provision of qualified care takers and appropriate facilities and toys. If they provide child care - and they are expected but not required to - they shall articulate it during the public announcement of the training to attract the respective target group.

Providing trainings for disabled beneficiaries might require T&Es to take additional measures for their support. T&Es are responsible for organizing disabled friendly training facilities and accommodations, which might require constructional adjustments, e.g. ramps (EFS 2014b).

### **On-the-job training**

T&Es must ensure on-the-job training (OJT) for their trainees for at least one-third of the whole training. OJT may take place at any local enterprise working in the same trade the trainee is taken training in. The EFS recommends conducting the training at enterprises successfully run by

EF graduates and provides T&Es with adequate profiles. In cooperation with EF field officers trainers, who work in the same occupation, formulate the learning objectives of the OJT. T&Es have to ensure that the trainees learn according these OJT objectives and that they are not merely seen as free labor (EFS 2014c). In sum, the OJT is supposed to provide the trainees with the possibility to apply their (theoretical) skills and to make contact with potential employers.

### **7.2.7 Post-training support for graduates by T&Es**

The responsibilities of T&Es do not end with the completion of the training. They are obliged to provide their trainees with post-training support for another six months. One important task for T&Es to fulfill is providing their graduates with adequate tools to enable them to start their own business. The EFS is compensating the T&Es for tools up to NPR 8'000 per person. T&Es, though, may choose to propose different (and possibly cheaper) tools - depending on the occupation the trainee is striving for. They are supposed to discuss their decision with the trainees to consider the trainees' needs. However, they have to indicate a certain range of tools already before the training starts, which is then stipulated in the contract with the EFS. The EFS is verifying the tool delivery through lists of tools signed by the respective T&E and trainee (EFS 2014b,c).

Furthermore, T&Es are responsible for the successful linkage of beneficiaries with financial institutions and employers. Ideally, this already happens during the training. T&Es are required to identify appropriate local financial institutions within their service proposal. T&Es might, for instance, invite qualified representatives from financial institutions, as well as potential employers to the business motivation training. Further, the EFS strongly suggests that T&Es facilitate the linkage between P2P graduates and enterprises established by MEJC graduates (EFS 2014c).

Finally, T&Es are supposed to organize so-called "business clinics". These clinics should take place three to four times during six months after the training to facilitate the exchange among former EF trainees to discuss their experiences and support each other.

After illustrating the responsibilities of T&Es and the EFS within their partnership, i.e. their interconnection, the actual role of the T&Es shall be analyzed in the next chapter by discussing their interpretation of these responsibilities.

## 8 Discussion: The distribution of power within the Public-Private Partnership of the Employment Fund

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This chapter takes a closer look at the relationships between private actors (T&Es) and a public actor (the EFS) within the arena of a development project (the EF) and discusses the power that comes along with the positions of both actors within this PPP. Examining specific aspects of the relationship between T&Es and the EFS as well as between T&Es and EF beneficiaries it also deals with the room for maneuver that the T&Es have and how they use it.

The T&Es' different responsibilities can be divided into three major roles: Firstly, they are partners of the EFS. They share responsibilities and risks and influence the project's outcome by translating the EFS' policies and guidelines into practice. Secondly, the T&Es are brokers of training and employment. Although they are bound to the EF's standards the T&Es have the final say regarding the selection of the trainees. In addition, the trainees depend on the quality of the training and in part on the linkages the T&Es provide to employment and credit possibilities. Thirdly, as the trainees are embedded in a wider socio-economic and political context and changes in their lifeworlds might affect the people around them, T&Es might be contributors to social change. However, this is a simplified model while in reality the various roles of T&Es within the EF are overlapping and much more complex.

At the end of the first two sub-chapters the different types of power which are inherent in the T&Es' two most important roles as partners and brokers will be summarized and linked to the conceptual framework. The third subchapter has a more excursive character and goes partly beyond the closed arena of the EF. It considers the broader socio-cultural context with which the T&Es interact and which in turn has an impact on them. It shortly points to the societal embeddedness of a Public-Private Partnership (PPP) that can never be completely evaluated by analyzing their internal actors alone but always has to be contextualized. It further emphasizes the T&Es' importance for the project's long term impact and the partner's mutual dependency.

### 8.1 T&Es as partners of the EFS

The EF is based on a PPP which is characterized by additionality, sharing resources, responsibilities and risks as well as a common goal (cf. 4.1). In the case of the EF, the public partner (the EFS) chooses private partners (T&Es), who it values as competent implementers of its policies (i.a. the supposedly common goal). In turn, T&Es receive financial and in-kind rewards *after* they successfully implemented their part of the project. However, in practice the partnership is more complex. In the next subchapters the sharing of responsibilities and risks of both actors within the partnership, as illustrated in Chapter 7, shall be discussed by examining various instruments

of power and control on both sides. It is discussed that due to the internal structure and policy of the project, there exist an imbalance of power in favor of the EFS but it is also shown, that the T&Es possess more room for maneuver and have more power and influence than it may look at first glance.

### **8.1.1 The selection of T&Es: Application procedures as instruments of power**

The evaluation of a T&E's application based on scores prevents the cooperation with inept private actors who might otherwise be accepted by means of, for example, their relational power, i.e. good connections to the EFS. Through this score system the EFS tries to make the process as comprehensible and objective as possible and to ensure equality between the applicants. However, the *quantity* of graduates is weighted three times higher than the *quality* of the monitoring system or their connections to employers (EFS 2014d). T&Es might be able to circumvent specific characteristics they cannot provide by concentrating on sheer numbers of trainees. A T&E might get accepted despite, for example, a non-existent monitoring system or insufficient network with potential employers which might lead to extra efforts in capacity building or difficulties facilitating employment later on.

Nevertheless, the EFS limits an increase of trainees, for example, by stipulating that P2P training groups should consist of maximally 20 trainees and should be led by up to two trainers. T&Es, therewith, are forced to hire more trainers in case they want to increase the number of trainees. This might prevent uncontrolled training expansion.

Another aspect of the selection procedures of T&Es should be taken into account in more detail because this sheds a clear light on the power structures between T&Es and the EFS: The T&Es are expected to conduct a Rapid Market Appraisal (RMA) before they get accepted as partners. For the RMA the T&Es are required to invest human and financial resources already *before* the contract is signed.<sup>33</sup> Moreover, they have to conduct then RMA within a very restricted time frame: The EFS reckons 10-12 days for conducting the RMA and submitting a report to the EFS, but the interviewees needed time frames from one week, 8-10 days, 15 days and 3 weeks up to one month to conduct their RMAs.<sup>34</sup> Of the ten interviewed T&Es two complained about the short time period and one T&E suggested to extend the validity of the RMA to two or three years.

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<sup>33</sup> RMAs are not necessary if a T&E only provides training within the MEJC program. Then the trade selection depends on the skills the interested youths already have. However, in 2014 every T&E was providing training within the P2P program as well.

<sup>34</sup> Though, only T&Es already working with EFS in the year before can allow themselves to take more than the specified time by starting earlier. New potential T&Es have not received RMA training yet, i.e. do probably not know how to conduct RMAs, and might not be confident of attaining the next application stage, i.e. they might not be sure whether it makes sense to already address this topic.



However, one specifically mentioned that the time given for the RMA is sufficient, one rated the RMA as "easy" and seven appreciated it as an "important/necessary" or "good" tool.

Yet, the high costs they have to face during the RMA and the short time period for the T&Es to learn, implement and report about the RMA must be considered while evaluating the significance of the RMA and its results. The results are crucial for the employment opportunities for the EF graduates, but it is questionable whether two or three days are sufficient to learn how and whom to interview for gathering information about the demands of the market and the local population.

While interviewing T&Es several other problems were brought up about the RMA which hint to divergent interests and an imbalance of power between T&Es and the EFS. One T&E stated that "[c]onducting RMA is hard. There is no institution that can provide the data. It is based on random" (*T&E 1*). In addition, many T&Es provide training in different areas and as the results of a RMA conducted within *one* region cannot be applied to *another* region as the economic conditions differ they have to conduct several RMAs. For example, while in region A plumbers are needed this might not be the case in region B, and especially poor people often do not have the possibility to travel relatively far distances to find a job. In practice, however, this is not always taken into account. As *T&E 5* states about his RMA conduction in former years: "At that time, RMA was done in one place while training was conducted in another place". In addition, some T&Es might use the RMA of the former year<sup>35</sup> to cut costs and efforts, possibly missing changes on the job market. Both cases indicate an insufficient implementation of the EFS' RMA guidelines by the T&Es.

Furthermore, some jobs are associated with a specific ethnicity or (lower) caste, for example being a barber. Though the demand is there, T&Es offering barber-training have difficulties finding trainees.<sup>36</sup> T&Es have to address these and other obstacles without the guarantee of becoming partners of the EFS, which might have an impact on the T&Es' willingness to invest in such a costly, time-consuming activity - especially when they rate it as "random".

On the other hand, if a RMA is conducted thoroughly, it can lead to the graduates finding gainful employment and thereby be beneficial for the T&Es. Providing training without receiving compensation and incentives after not achieving the defined goals leads to financial loss on the

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<sup>35</sup> Personal communication with the EF Program Officer, 21.01.15, Kathmandu.

<sup>36</sup> Personal communication with the Principal Researcher of RIDA, 28.02.15, Pokhara.

T&Es' side.<sup>37</sup> Thus, they should have highest interest in accomplishing the RMA sufficiently despite all these possible disadvantages.

The assessment of the RMA report submitted to the EFS determines whether the respective T&E is eligible for the next application stage (cf. Fig. 4). Nevertheless, in practice it is impossible for the EFS to validate the RMA's results of each report due to time constraints. To minimize the risk the EFS requests T&Es to submit a list with the key informants they consulted and conducts exemplarily RMAs for several districts (EFS 2015b). However, it is the T&Es' specific vocational backgrounds and knowledge which mostly determines the type of trade they are going to provide training in. This might sometimes prevent T&Es from deducing the trades which are most needed in an area as they are not able (or not willing) to reorganize their business proposition. The EFS (2015a) noticed that RMAs are often obsolete as T&Es mostly propose the same types of conventional trades, e.g. tailoring and beautician. However, the EFS might (willingly or unwillingly) influence the choice of trade by its policies, e.g. the given time frame, as it is indicated by one T&E: "We rejected the steel trade, as the EF provided very less funding [compared to other trades] and it also requires a long duration of training" (*T&E 7*).

As it is impossible for the EFS staff members to be experts in every trade, they might not have professional and detailed knowledge about training costs, work processes, tools, local prices etc. of certain trades. Though, comparing the T&Es service proposals might provide them with a sense of local reality, i.e. a T&E proposing much higher costs than other T&Es for the same trade seems implausible. This leaves room for maneuvering on the side of the T&Es as they may be able to state higher training costs than necessary. Local MOs (and their local knowledge) probably play a crucial role in this case and the relationship and level of trust between them and the T&Es should not be neglected. Yet, in the end, the choice of trade and the estimation of training costs are mainly made by T&Es, while the EFS can only partly evaluate their decisions.

A detailed analysis of how the private actors handle the rigid application procedures shows that despite the fact that at the beginning of the partnership, power is disproportionately high on the side of the EFS, the T&Es still have enough room for maneuver to partly escape the control of the EFS and that they use their dispositional power to influence the application process according to their own interests. As shall be discussed in Chapter 8.1.4 and 8.2.4 it is this knowledge gap between T&Es and the EFS that is the biggest source of the private actors' power within the EF.

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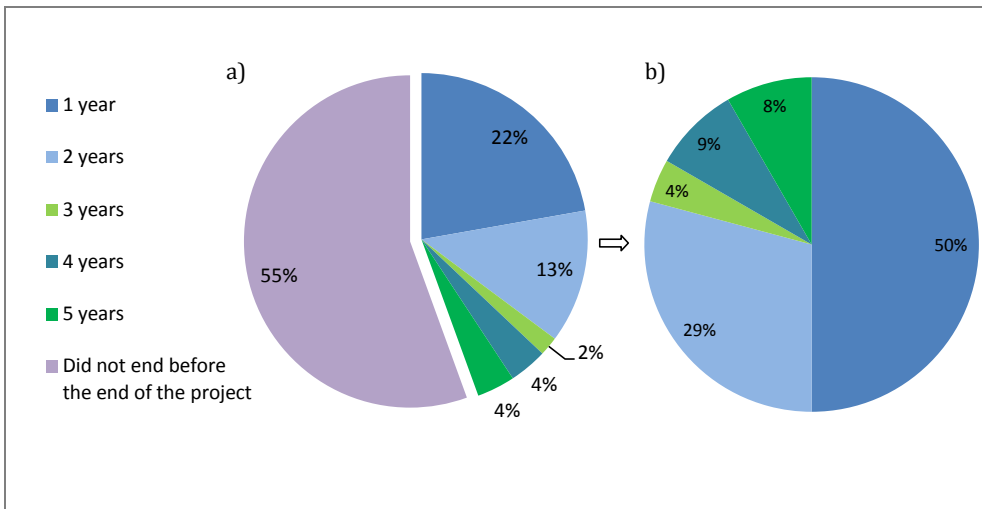
<sup>37</sup> The EFS experiences financial loss as well if T&Es do not achieve their goals, for example through the payment of staff such as Monitoring Officers. However, the EFS does not lose capital on which its staff depends on as it is often the case for the T&Es.

### 8.1.2 Controlling T&Es through time restrictions

Of the ten T&Es interviewed five expressed their dissatisfaction with the general time frame of the EF. One stated that 390 hours are not sufficient to fulfill all tasks necessary for the implementation of training and that the training should last at least five months. Most T&Es argued that the contract with the EFS should be extended to two to five years. *T&E 9* claims: "Due to the very short time frame, we have to pay a high amount of money to keep the trainers".

Another approach is to employ new trainers for every training cycle which leads to a high staff turnover. This results in the constant search for adequate trainers by the T&Es and in the constant need for repetitive training of (new) trainers by the EFS. While an external review of the EF by Johanson and Sharma (2013) confirms such statements from T&Es, the EFS denies the existence of such a high staff turnover. A survey was conducted from 2012 to 2014 to analyze whether the suspected high turnover does exist and the results did not support such assumption (EFS 2015). Beside a possible high staff turnover, the short time frame might make it difficult for the T&Es to take appropriate loans to arrange the required infrastructure and facilities for the training (Hollenbach et al. 2015).

The T&Es' concerns regarding the time frame become partly visible when looking at the duration of partnerships between them and the EFS. About 50 % of the partnerships *that ended between 2008 and 2013* (i.e. the reason for the termination cannot be attributed to the end of the EF) terminated after one year (cf. Fig. 8b). Of all partnerships between 2008 and 2015, 22 % ended after one, and 35 % after a maximum of two years (cf. Fig. 8a). However, as the project was coming to an end in 2015, comparing the numbers over the whole duration of the project might be misleading as the contract duration of only one year of the eight new T&Es in 2014 did not necessarily depend on a decision of either the T&E or the EFS but on the project's completion. In sum, 55 % of the T&Es had the chance of working with the EFS until the end of the project and if partnerships ended before the project's end most did so after a relatively short period (1-2 years). This might indicate that the EFS was efficient in rejecting unsatisfactory partnerships. It might also be a sign of unrealistic expectations of the partnership on one or both sides, an insufficient evaluation of the T&Es competencies during the application process and/or other external factors.



**Fig. 8: The duration of partnerships between the EFS and T&Es, including on-going ones (a), and the duration of partnerships that were terminated before the end of the project (b)** (Data sources: EF Annual Reports).

### 8.1.3 Non-profit vs. for-profit: Achieving the "common goal" through financial dependency

The PPPs aims at combining the partner's strengths to reach to disadvantaged youths, provide them with quality training and facilitate their gainful employment. The EFS as the principal assumes the role as "planer" and the T&Es as agents assume the role as "implementers". However, the result-based payment system of the EF includes a strict no-payment-in-advance policy, i.e. the T&Es have to prepay every cost of the training and related activities, e.g. training announcement, providing appropriate facilities, reconstruction work etc. If a T&E's graduate fails to get (gainfully) employed the T&E might experience significant financial loss. In case of the above mentioned example (cf. 7.2.3.2) the direct training costs are NPR 25'000, leading to an outcome price of NPR 45'000 for a trainee from category A (incentive: + 80 %). If this trainee graduates but does not find employment, the T&E receives NPR 18'000 - which does not even cover the direct training costs. T&Es are responsible for supporting their beneficiaries in finding wage- or self-employment, however, external factors might influence the beneficiaries' capability or willingness to be successful at doing so. These factors might be of societal, familial or personal nature and often lie beyond the T&Es' power.

The EFS invests time, labor and financial resources to support the T&Es. If a trainee drops out of the project, the investment was in vain. However, compared to the expenses of T&Es at this stage of the project the expenses of the EFS are relatively small (in comparison to their total financial resources). Moreover, the EFS is financed by SDC, DfID and WB, whereas the T&Es have to apply for loans in case they do not have the necessary resources, which, in the worst case (i.e.

many trainees do not find employment or the EFS cancels the training due to its lack of quality) they might have difficulties paying back. In addition, the result-based payment system might lead to a lack of training quality as T&Es might not be (financially) able to provide the necessary equipment (Johanson and Sharma 2013). For this reason the EFS only cooperates with private partners who already obtain a certain amount of annual financial turnover and can provide training to at least 40 trainees<sup>38</sup> (cf. 7.2.1).

Nevertheless, at the beginning of the partnership, T&Es unquestionably have to bear higher financial risks than the EFS which points to an imbalance of power and refers to the fundamental difficulty to harmonize the objectives and values of the for-profit and non-profit actors for a common goal.

During the selection process of T&Es, the applicants are introduced to the result-based payment system of the EF. As the development sector in Nepal is mostly based on activity-related payments, the EFS staff struggled at first to convince T&Es of their new mode of payment.<sup>39</sup> As one T&E put it: "When we started working with the EF, I thought we are doomed. They had different modalities than other [projects]" (*T&E 6*). But at the end most T&Es were convinced of the project's approach.<sup>40</sup> According to EFS (2015b) the initial investment by the private sector partners leads to strengthening their sense of accountability and increases their willingness to improve the skills training to match the market demands.

However, while T&Es agreed on being the initial investors, the approach was also criticized. The "[o]utcome-based payment is very positive. But due to outcome-based payment, it's very difficult to train people who have children. They can't continue with their work and this will create loss" (*T&E 9*). Four of the ten T&Es interviewed mentioned problems with drop-outs or a lack of applications from certain target groups: These groups cannot afford to interrupt the daily work they financially depend on to take part in the training. While *T&E 9* explicitly makes the outcome-based payment responsible for this, indicating that it is especially difficult for people with children and other dependents, *T&E 4* states that poor people should receive some kind of incentive as well. Interestingly, the EFS already stipulates in-kind support for these cases (e.g. accommodation, child care, food). However, this either might not be sufficient or these T&Es might not be aware of its existence or effectiveness.

Intertwined with the result-based payment is the verification of the graduates' passing of the skills test and their employment situation after three and six months by Monitoring Officers

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<sup>38</sup> This is not a defined threshold, but is used for orientation purposes. The number is obtained from the EF database.

<sup>39</sup> Personal communication with the EF Monitoring and Evaluation Coordinator, 24.02.15, Kathmandu.

<sup>40</sup> Personal communication with the EF Monitoring and Evaluation Coordinator, 24.02.15, Kathmandu.

(MOs). While T&Es monitor and verify the beneficiaries too, the EFS validates the T&Es' claims through its own monitoring and evaluation system and bases its decisions regarding the payment on the result of this validation. This is criticized, for example by *T&E 4*, who states that the "EF[S] usually says joint verification but [...] make[s] the decision alone." Some T&Es complain that, although the EFS monitors the training and intervenes if necessary, the EFS does not feel accountable for the outcome.<sup>41</sup> Meaning, if the training's quality was sufficient enough for the EFS not to intervene, the graduates should be successful in finding gainful employment. If they do not succeed, the reasons might be beyond the T&Es' control (e.g. delayed test results might lead to less (gainful) employment opportunities for the graduates as they cannot attest their skills to potential employers). In this case, either no one or both partners should be held accountable, as the EFS also failed to improve the training by making the right suggestions at the right time. Thus, according to the T&Es, the EFS should concentrate on either process- or result-monitoring (cf. 7.2.3).

While reviewing the number of graduates passing the skills test is relatively unproblematic (as soon as the CTEVT publishes the results), the verifications after three and six months demand more effort. Verifying the claims of the T&Es for each graduates is not practical as it would consume a lot of time as well as human and financial resources to track down each graduate. Thus, the EFS verifies a certain number of graduates and draws on extrapolations for the final (payable) results (cf. 7.2.3.2). On the one hand, this allows T&Es to dare claiming more graduates being gainfully employed than there actually are, on the other hand the T&Es might have "bad luck" if the EFS randomly assesses only the graduates who are not gainfully employed (but were claimed to be gainfully employed), hence assuming the total number of not gainfully employed graduates being much higher than it actually is. Nevertheless, T&Es might not want to risk it as the contract with the EFS might be terminated. In addition, this approach of projection was only mentioned by *T&E 5*, who pointed to such a "bad luck" situation during the interview. The subject was not mentioned otherwise, indicating that most of the interviewed T&Es agree with the verification method.

What was mentioned by two T&Es was the income threshold, which defines an employment as "gainful" (i.e. NPR 4'600). T&Es highly depend on this threshold as it determines the amount of their last installment (cf. Fig. 5) and the likelihood of a renewed contract for the following year (cf. 7.2.1). Two T&Es criticized the strict definition of gainful employment. "I don't like the rule where if the person earns Rs 100 less he is called a failure, but if he earns Rs 100 more, then it is considered as gainful employment" (*T&E 5*). *T&E 10* disapproves of the EFS's seeming lack of

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<sup>41</sup> Personal communication with the EF Monitoring and Evaluation Coordinator, 24.02.15, Kathmandu.

consideration of local differences and claims that "[e]arning [NPR] 4'600 is really high for here. They [the EFS] don't add the mushroom that the family eats. They [the family] [...] don't have to buy much." Local differences play a role in other aspects as well. *T&E 10* and *T&E 5* agree<sup>42</sup> on the fact that the income for trainers should be different depending on whether they train in the Hill (Northern) or Terai (Southern) region and urban or rural areas of Nepal as the costs for food and transportation differ.

The subject of local differences as well as the income threshold was not broad up by the other eight T&Es, indicating again that most T&Es agree with the EFS's guidelines in this regard. However, while the T&Es are allowed and even required to adapt the training to local conditions, for example by choosing the trade, these statements underline the T&Es' relative lack of power if it comes to finances. The minor power the T&Es have in this case might lead to them choosing the cheapest options and not the best ones (for the trainees) - and, thus, possibly ignoring local and personal differences.

Yet, the EFS does not aim at (only) controlling T&Es through its monitoring system and the result-based payments. It emphasizes that "[a] facilitative role of the project staff is more desirable than a supervisory role" (EFS 2015b: 23) and supports T&Es in their capacity building (cf. 7.2.4). It further facilitates annual meetings with each partner to discuss problems - if necessary.<sup>43</sup> Though it is unclear to which extent possible suggestions and complaints are integrated into the project, this gives the T&Es an opportunity to express their needs and perceptions, which in turn might lead to them feeling more as partners and not merely as carrying out orders. After all, all interviewed T&Es spoke positively about the collaboration with the EFS.

#### **8.1.4 Summary: Instruments of power and control within the partnership**

As illustrated above the T&Es have to follow strict rules regarding what they have to submit at what time of the whole process of training and employment service provision if they want to be part of the EF. In addition, the risk is disproportionately higher on the side of the T&Es as they might face relatively high financial losses compared to the financial resources they draw upon.

The EFS, on the other side, does not depend on the success of one T&E. It presumably possesses too many financial resources to experience severe consequences if one T&E drops out. Meaning, the EFS draws its agency from what Olivier de Sardan (2005) calls "institutional power", which he defines as the access to different convertible forms of capital (cf. 2.1). In this case, it is not

**Comment [FS2]:** Das müsste auch noch knackiger und inhaltlicher formuliert werden...aber jetzt kann ich nicht mehr. Ansonsten ist dieses Unterkap. Prima.

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<sup>42</sup> Every T&E was interviewed separately but not at the same time. Thus, communication, especially between T&Es from the same district who might know each other, might have been possible.

<sup>43</sup> Personal communication with the EF Monitoring and Evaluation Coordinator, 24.02.15, Kathmandu.

important whether an actor actually uses more capital to gain (more) power, but how the amount of capital is related to the risk the actors take.

Furthermore, the T&Es' dependency on the payments fuels the EFS' organizational power. "Organizational power" is the act of achieving something by, i.e., setting rules or bargaining (Arts and Van Tatenhove 2004). As T&Es aim at the result-based payments, they implement the project in accordance with the EFS' rules. That means, they are following the application process and the general timeframe even though they might find it inadequate. And they accept the EFS' power as final decision maker though they might find it unfair.

Although it seems that within the partnership of T&Es and the EFS the latter possesses far more power than the former, T&Es are by no means powerless - though their forms of power might not be as obvious. T&Es may not act against the EFS' rules, but they have room for maneuver. For example, to limit the T&Es' potential relational power (i.e. their ability to influence social relations), the EFS introduced an evaluation process based on scores. However, T&Es might still circumvent certain requirements (e.g. a sufficient monitoring system), by emphasizing others, (i.e. the number of graduates). This leaves room for organizational power on the side of the T&Es - though it is a somewhat indirect power as they do not openly bargain with the EFS.

Furthermore, the T&Es as agents, i.e. the implementing actors, have more knowledge about the project "on the ground". They can use this dispositional power (i.e. disposal of resources like knowledge) to implement some of the EFS' guidelines (e.g. the selection of trades), according to their own preferences and perceptions. Whereas the EFS, i.e. the principal, tries to balance the asymmetry of information by screening the T&Es closely during the application process, monitoring them during the whole contract period and providing them with certain guidelines and incentives. However, as it is not possible for the EFS to verify each RMA due to time and staff limitations, T&Es may use their dispositional power to decide which trade they will provide training in and, partly, to define the amount of training costs.

Nevertheless, the organizational and institutional power of the EFS might lead to the T&Es being too worried about the consequences in case a MO might indeed detect some non-compliance with the rules to actually exploit their dispositional power. As mentioned above, an early end of the partnership might have more severe consequences for the T&Es than for the EFS.

However, instead of using their dispositional, organizational and/or institutional power, T&Es and the EFS might also draw on their discursive power while exchanging opinions and knowledge during their annual meetings. Some T&Es might not profit from their discursive power if they are not able to obtain another contract (or several following contracts) as integrating their suggestions might take time. Yet, as these discussions might ultimately lead to changes within the project other T&Es might have the benefits out of it. It might lead to a better mutual



understanding of goals and interests on both sides allowing the emergence of a partnership that is more equal and works more smoothly with less loss or friction. However, to what extent the T&Es can influence the project's modalities only by their discursive power could not be assessed by this thesis as this would require long-term evaluation not only of the project's adaptation but also of the meetings and respective documents.

## **8.2 T&Es as brokers of training and employment**

As illustrated above, T&Es are bound to a number of complex and strict guidelines while at the same time they are the implementing actors with own interests, values, realities and perceptions of the arena (cf. 2.1). Hence, they cannot be seen as mere "transmission belts" (Olivier de Sardan 2005: 167), transmitting the EF's standards without (willingly or unwillingly) affecting them. T&Es have the final say regarding the selection of their trainees and the graduates success in finding (gainful) employment depends, i.a., on the during- and post-training support the respective T&E provides them with. Thus, they act as brokers of training and employment exercising influence and power. In which manner this is done shall be discussed in the next paragraphs.

### **8.2.1 Selecting trainees: The T&Es' power *not* to choose**

The EFS does not rely on the T&Es intrinsic motivation to help the disadvantaged, but tries to direct the T&Es' choices by providing financial incentives (cf. Tab. 5). That seems to be working: The proportion of trainees belonging to DAGs has been 70 % in 2014 (EFS 2015a) and even 88 % in 2012 (EFS 2013a).

However, it is not proved whether this success in reaching the target groups is in fact due to the incentives. One T&E states that in spite of the incentives, they do not prioritize Dalits because "[t]here is a risk in taking Dalits in the training as they have many opportunities in the market; they can leave the training anytime" (*T&E 1*). Though he is the only one (of the interviewees) explicitly revealing that they do not prioritize DAGs, most T&Es mention some kind of problems with targeting the disadvantaged groups.

While four of the ten interviewed T&Es pled for some sort of financial allowances for DAGs to prevent them from dropping out (cf. 8.1.3), others struggled with more "personal" challenges. For example, *T&E 8*: "If we select [youths from] a disadvantaged group, they will expect more support. They have less patience compared to others. They can't decide on one thing." However, this is a single opinion which cannot be generalized. *T&E 10*, for example, claims that women and Dalits are more trustworthy than other trainees. Moreover, *T&E 8* acknowledges that he and his employers can "move ahead with the training by understanding their [youths from DAGs] status and their psychology."

Many youths from disadvantaged groups might be struggling with a lack of self-confidence and/or a lack of basic education, thus counseling and guidance before, after and during the training can be of particular importance for them (EFS 2015b). This leads to extra efforts on the side of the T&E even though the chances of finding employment for these trainees might still be lower compared to other trainees. It is up to the T&Es to stay on the "safe side" by putting their efforts in a relatively high number of gainfully employed graduates from a category with a relatively low incentive (e.g. category D) than in a low number of gainfully employed graduates from a category with high incentives (e.g. category A).

Gneezy et al. (2011) warn, that the principal's (the EFS; cf. 2.1.1) trial to direct and control the agents (the T&Es) through the introduction of incentives might even have counterproductive effects. Financial incentives might change the agents' perception of certain tasks: If the incentives are too low the agents might value the task as less relevant, as they assume the incentive would be higher for a more important task. Furthermore, incentives might have the desired effects in the short term, but they might weaken the agent's intrinsic motivation to, for example, target the poor. After the incentives are removed, agents "may [still] pursue the desired outcome less eagerly" (Gneezy et al. 2011: 192).

It is unknown whether the EF's results would change significantly if incentives were changed or had never been introduced. Some statements of interviewees might indicate that their motivation goes beyond financial profit: *T&E 2's* explicitly aims to "help people who live [as] squatters and Chepangs [an ethnic minority]", and *T&E 10's* wish for its graduates "to do something for the community also". Also, the extension of the time period for conduction of the RMA (cf. 8.1.1) might possibly happen for reasons of thoroughness indicating that there are actions and expectations on the side of T&Es that lie beyond the scope of the project.

The interviews showed furthermore that in dealing with the selection criteria some T&Es are critical against or lack knowledge of the actual regulations and/or interpret the rules according to their interests thus using their room for maneuver to exercise power.

Six of the ten interviewed T&Es complain about the selection criteria for trainees. Four state that the age limit of 35 years<sup>44</sup> and 40 years should be raised to at least 45 or 50 years. *T&E 10* argues that youths between 18 and 22 years also go studying, thus focusing on this age group might be unfair as they are privileged anyway. However, this statement indicates the T&E's lack of

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<sup>44</sup> The age limit of 35 years for men was repealed in 2014. Since 2014 the age limit for women and men is 40 years. As the T&E talks about women in his next sentences it is unclear whether he assumes the age limit of 35 years to be valid for women, which was only the case until 2010.

knowledge about the selection criteria<sup>45</sup> as the EF targets youths who are *not* eligible to study as they did not obtain the SLC. This might be a misunderstanding, e.g. by the translator or interpreter, however constant changes of the EF's criteria (e.g. the age limit<sup>46</sup>) might lead to the T&Es affecting the selection of trainees above expectation due to a lack of knowledge. This might be reinforced by a lack of "downward" communication, possibly leading to the implementing actors being sometimes uninformed about certain changes within the whole project (Johanson and Sharma 2013). An example is the MEJC graduates' responsibility to cover their own costs for the skills test from 2014 on, which was ignored/not realized by many T&Es who still advertised their training as free. This in turn led to tensions between the trainees and T&Es (EFS 2015d).

In other cases the T&Es had to exclude "good trainees" (*T&E 3*) from the training as they did not have the necessary documents, unemployed youths were excluded as they were highly educated and Dalits, Janajatis and women as they were uneducated.

All these incidences exemplarily reflect the T&Es' power within the selection procedure. On the one hand, they cannot ignore certain guidelines by the EFS. Though they might want to select an applicant, the EF requires a justification for each step documented by specific certificates. On the other hand, they might decide to exclude applicants without the EF's guidelines requiring it. As T&Es depend on the result-based payments, they might focus on finding the applicants who most probably find (gainful) employment, i.e. often the ones who have a certain minimum of education. The EF targets illiterate youths and encourages T&Es to conduct basic literacy courses (cf. 6.3). However, this means extra efforts for the T&E and such courses might not substitute other education. The T&Es might select their trainees accordingly - for example one T&E only selected applicants with at least 8th grade education<sup>47</sup> - considering the guidelines of the EF only in so far as not to explicitly disagree with them.

Johanson and Sharma (2013) came to the conclusion that the selection criteria put the T&Es in awkward situations as the criteria are too complicated and insensitive regarding ethnic and caste issues. The confusion of a few T&Es regarding some guidelines (e.g. age limit) and the statement by *T&E 2*, that they "have so many challenges for the selection [of trainees]" support at least the first assumption. The second assumption, i.e. the criteria being insensitive, cannot be verified as the interviewees did not explicitly mention this challenge.

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<sup>45</sup> For women who are trained in specific trades an exception is sometimes made: They can participate in the EF although they might have passed the SLC (Johanson and Sharma 2013).

<sup>46</sup> cf. fn. 44

<sup>47</sup> Interview with direct beneficiary of MEJC, 05.04.15, Jumla.

While the incentives might generally encourage T&Es to target DAGs and women, the result-based payments decrease their motivation due to the financial risk. Some T&Es explicitly mention that they have difficulties in targeting DAGs due to the result-based payments, possibly leading to the T&Es (and thus the whole project) focusing on other target groups. Yet, the number of DAGs participating in the EF is very high (e.g. 70 % in 2014 [EFS 2015a]). T&Es do not seem to use their power to concentrate on their favored target groups (e.g. easily employable men and women). However, to verify this conclusion further research must take place, e.g. more T&Es should be interviewed, to gain a deeper understanding of the T&Es' decision making.

### **8.2.2 The implementation of training: Powerful agents in the field**

The training is the core of the EF and the main function of T&Es within the project is to conduct this training. The EFS developed a complex set of guidelines regarding the implementation of different training aspects as time frame, content, extra support for trainees, a. o. It even issued very detailed instructions on how and how long to conduct business and soft skill workshops. Furthermore, MOs are visiting each training at least once, though not necessarily during, but also before or after the training (cf. 7.2.3.1).

Yet, the EFS allows T&Es to decide on a variety of training aspects. In addition to their final say regarding the trade (cf. 8.1.1), they may choose to train their trainees in an additional trade and thus might further influence their trainees' employability. T&Es are responsible for providing extra support in form of food, accommodation and child care and are supposed to organize the respective facilities. They do not bear the costs themselves but have to request the support at the EFS.

At the beginning of training, the T&Es are required to develop a time table in accordance with the trainees' daily routine as many trainees have to work alongside the training. The time of the training is crucial for including specific target groups into the project: If the training hours are not adequately adapted to the trainees' needs, especially the very poor and female trainees might drop out as they might highly rely on a regular income or have children and other dependents. To avoid drop-outs, T&Es might already take this into account during the selection process: They might only choose trainees who can adapt their time table to the T&E's schedule, possibly excluding the very poor and women from the beginning. In addition, after the selection process T&Es might still use their power to indirectly select trainees, e.g. by choosing a certain teaching language or (not) providing child care.

Besides fixing the schedule, the T&Es have to develop or adapt curricula for each trade. They are required to draw on the curricula and occupational profiles developed by the CTEVT, that are

often designed for *at least* 390 hrs of training.<sup>48</sup> Yet, the EF training is supposed to last a *maximum* of 390 hrs and multi-skilling, i.e. training in an additional trade, often includes only 130 hrs of extra training (at least this is the amount of hours the T&Es can apply for at the EFS). Thus, T&Es have to reduce the scope of the curriculum "as per demand of the market consulting with employers and practitioners of the related occupation" (EFS 2014b: 18). However, due to time constraints it is not possible for the EFS to verify each adapted curriculum. In some cases this might have negative consequences. For example, a currently unemployed MEJC graduate states: "I wished that we were taught about cooking local dishes as well. We learned about expensive items, but we can't sell it: My shop is small so only local people used to come." He had to close his restaurant. In this case, the respective T&Es might have missed to adapt the curriculum to the needs of the market - though it might also be to insufficient curricula by the CTEVT.

During the training T&Es are required to facilitate business exposure visits (for MEJC trainees) and on-the-job-trainings (OJT; for P2P trainees). The EFS provides them with a list of adequate businesses but the T&Es are the ones choosing the businesses and organizing the visits/trainings, possibly influencing the trainees' learning process and first business contacts - maybe even facilitating (or preventing) their trainees to make contact to potential employers.

T&Es may apply for additional support at the EFS, yet they can only do so for maximally 30 % of the trainees per training. Furthermore, the costs for this support should not exceed NPR 200 per trainee and is only paid for 65 days.<sup>49</sup> In addition, only two exposure visits are incorporated and refundable as direct training costs (EFS 2014e).<sup>50</sup> If the T&Es rate the need of their trainees for extra support higher or want to conduct another business exposure visit, they have to pay for it themselves.

As the EFS concentrates its monitoring activities on the outcome rather than the process, i.e. the training (cf. 7.2.3; EFS 2012c) the T&Es are being able to act without being directly monitored during the whole time. Yet, the EFS possesses – as has been shown - other powerful means to control the T&Es actions: through their finances.

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<sup>48</sup> See [<http://ctevt.org.np/page.php?pagecat=3>] for comparing different curricula and their time frames.

<sup>49</sup> T&Es are supposed to facilitate (ideally paid) OJT for at least one months, therefore the EFS only offers paid extra support for about two months.

<sup>50</sup> However, there exists no limit for the costs of these visits. As cost-effectiveness is one of the biggest concerns of the EFS, it might accordingly decide about the appropriateness of the visits costs for each case. Yet, it is unclear to which extent the EFS is able to validate the actual costs, i.e. to which extent the T&Es might be able to state higher costs (cf. 8.1.1)

### 8.2.3 The challenge of including graduates into the job market

After the implementation of training and the conduction of the skills test, the T&Es are required to support their graduates during their search for gainful employment for another six months. They do so by providing them with adequate tools and facilitating contacts to financial institutions and potential employers.

Though following the same guidelines, the support by each T&E might look different in practice due to their power to adapt the project according to their (local) knowledge. Yet, they are only allowed to do so by investing (again) their own capital - and not every T&E might be able (or willing) to do so. For example, even though the EFS is compensating the costs of tools only up to NPR 8'000, some beneficiaries stated that they received tools worth NPR 10'000 or NPR 15'000. Most beneficiaries were provided with tools worth NPR 8'000 or less, however, some T&Es seem to be willing to invest more in the support of their graduates. Therewith they might take into account local price differences which are only partly considered by the EFS (cf. 7.2.2 & 8.1.3).

The T&Es have to develop a placement plan for each trainee, which is checked by the EFS (EFS 2014b). However, due to time and staff constraints it is, again, not possible for the EFS to verify the implementation of the placement plans. On the one hand, several graduates claimed that they did not receive (enough) support by the respective T&E. Moreover, there were cases where disabled women were trained in trades in which they could not work afterwards due to their disability.<sup>51</sup> Thus, making post-training support obsolete. On the other hand, some T&Es support their graduates beyond the guidelines, for example *T&E 6*: "There are no cases where people didn't get the job. For the cases where they have some barriers from home, we go to the family and do the counseling as well." Counseling of family members is not included in the T&E's responsibilities, yet, especially in case of female graduates it might be necessary.

Nevertheless, compared to the selection of trainees and the implementation of training, T&Es have relatively little power if it comes to providing their graduates with gainful employment. Even if they provide adequate tools and facilitate business contacts, there exist many other external factors which influence a graduates' future. For example, his/her family, his/her willingness to work, and so on (cf. 8.1.3). Furthermore, some graduates decide to migrate to another country. They might find gainful employment, but it is difficult to verify that: "We can't include the documents of those who have gone abroad, so we include them as dropouts" (*T&E 2*). Leading to the T&Es receiving a reduced outcome price even though it is not clear whether their graduates actually failed to find gainful employment for at least six months.

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<sup>51</sup> Personal communication with EF Program Officer, 27.01.15, Kathmandu.

#### 8.2.4 Summary: The knowledge gap as source of power

Though the EFS provides T&Es with several guidelines covering each aspect of the training and conducts unprompted visits, the distribution of power slightly shifts from a rather unequal partnership at the beginning of a project to an increasing power position in favor of the T&Es during the actual implementation of the project.

The foundation of the power relations between T&Es and the EFS is laid in its beginning (cf. 8.1.4) and continues in similar composition: The EFS does possess more institutional and organizational power, whereas the T&Es use their dispositional power to attain room for maneuver. However, while the EFS is the final decision maker during the application and evaluation phase (with the exception of the selection of trades), the T&Es have the final say when it comes to selecting adequate trainees. Due to the EFS' guidelines they might not be able to choose the trainee they would like to choose, but they are able to decide which trainee they do *not* want for their training. They do so by not only being responsible for advertising the training and conducting the selection procedure, but also by deciding about the time table, language of instructions, and which additional support (e.g. child care) they are going to offer. In other words: Within the boundaries the EFS provides, T&Es are able to target the groups they prefer using their dispositional and relational power - irrespective of the foci the EFS might want to set.

This does not necessarily mean that the T&Es actually act against the EFS' foci. But the EFS' financial control of the project might be counterproductive in this case, as they require the T&Es to be as cost-effective as possible, which in turn might (indirectly) influence the T&Es' choice of trainees. T&Es may be aware that the training modalities should be adjusted, for example, to support specific target groups, but as they would have to pay for this support by themselves they might choose otherwise.

In addition to the implementation of training, T&Es are required to provide their trainees with job seeking support. The T&Es may use their relational power to facilitate business contacts, yet, as finding (gainful) employment depends on a variety of different external factors, their influence is limited. Depending on the T&Es' perception of the extent of their relational power and the job market, the possible employability of a trainee might, hence, already play a crucial role during the selection process.

Finally, during the implementation of training T&Es are able to use their technical and local knowledge. The T&Es' popular technical knowledge (cf. 7.1) is the reason the EFS is cooperating with them as it might be complicated and expensive (i.e. not cost-effective) to gain this knowledge itself, especially due to the project's scale. Moreover, trainees might trust local T&Es more than (inter-)national organizations. Thus, the EFS could not implement the project to such an extent without the (local) private partner.

### 8.3 T&Es as social change makers

Due to the EF's targeting of disadvantaged and poor youths T&Es might be seen as social change makers. The target groups are embedded in a wider social context and, thus, changes within their lifeworlds might affect the people surrounding them. "Social change"<sup>52</sup> per se is presumably the final purpose of every development project. As discussed above, T&Es in their role as brokers of training and employment already have a strong influence on the project's direct outcomes. Here, this chain of reasoning shall be continued one step further - once again emphasizing the great dependency of the EFS on T&Es.

In other words: Considering the role of T&Es as agents of social change reflects one again their importance for reaching the project's goal even after the project has come to an end. At the same time the private actors put their future and sustainability at least partially at stake while working as partners for the EFS (cf. 8.3.2).

The question whether T&Es actually have the power to change whole communities, let alone the society in Nepal is beyond the scope of this thesis. To answer this question long-term assessments of a variety of socio-economic and political factors are needed. Yet, to highlight the influence and power of T&Es within the EF, some aspects worth considering when analyzing their (potential) role in social change shall be discussed here.

#### 8.3.1 The T&Es' impact on beneficiaries and their communities

The impact study (Hollenbach et al. 2015) detected that the training had an impact on the beneficiaries' lives on three levels: personal, family and community level. Most beneficiaries reported, inter alia, an increase in self-dependency, empowerment, improved living standard, enhanced decision-making power within their families and enhanced recognition from their community. This was confirmed by the T&Es. They noticed a change of the graduates' behavior and an increase of trust in the graduates' skills by their communities. Nevertheless, these claims are based on short-term observations and sometimes they are more aspirations than facts as the training had not ended at the time of inquiry. Especially in the case of changes within the wider social field, T&Es and graduates might perceive the situation to be different but in the long run these perceptions might change due to a confrontation with "reality". *T&E 5*, for instance, is more cautious in his projections: "People here prioritize the ones who are doing furniture for

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<sup>52</sup> "Social change" is defined very generally as "[...] the alteration of mechanisms within the social structure, characterized by changes in cultural symbols, rules of behaviour, social organizations, or value systems" (<http://www.britannica.com/topic/social-change>)



some time compared to the ones who have just learned [to do it] for three months. It takes time for people to believe in them."

T&Es may choose between two options, which might influence their impact on social change in very different ways: They may either choose to provide training *according* to social norms or training that seeks to promote social equality even if this means *confronting* social norms. That is, they either provide training in trades which are caste- or gender-conform, e.g. women receive training as beautician, Dalits do not receive training as cook etc. Or they may choose to, for example, explicitly target women for non-traditional trades - as it is highly recommended by the EFS. Promoting social equality is one of the key concerns of the EFS. Yet, even if T&Es might agree with the importance of social equality, they might value the correlated pros and cons in different ways due to their diverse roles within the EF. If they do decide to promote women in non-traditional trades they might face several problems, for example: They might have difficulties finding trainees or experience a higher degree of drop-outs as many women still prefer traditional trades.<sup>53</sup> In addition, women trained in non-traditional trades might have difficulties finding gainful employment as employers might not yet trust their skills or simply prefer working with men.<sup>54</sup> Thus, even if T&Es would like to promote social equality, they might decide otherwise due to the risk of investment loss. In this case, they might rather reinforce social norms to ensure that their graduates find at least some kind of gainful employment.

Sometimes this reinforcement of social norms is very subtle (and unintentionally). For example, an indirect beneficiary stated that the training had a very positive influence on her sister-in-law who had taken training as tailoress. On the one hand, her sister-in-law was more self-dependent as she was earning and managing her own money. On the other hand, she now worked at home (which was explicitly mentioned as something positive by the interviewee) instead of going out which she used to do a lot before starting to work. Though she theoretically could have done so by opening her own shop, she now works at home. Hence, the training increased the beneficiaries' restraint to her home.

Only 45 % of all women participating in the EF and 24 % of graduates belonging to a DAG found a gainful employment (Hollenbach et al. 2015), which in part verifies the T&Es' concern mentioned above. However, social change does not depend on the amount of the graduates' income. Although they might earn less than NPR 4'600, these graduates might still be employed and have a sufficient income compared to the local living standards (cf. 8.1.3). And they might have an

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<sup>53</sup> According to a study on women in non-traditional trades, only 9 % of women were trained in non-traditional trades within the EF (Mera Publications 2014).

<sup>54</sup> According to the above mentioned study, 68 % of the interviewed women working in non-traditional trades and 93 % of the women working in traditional trades were gainfully employed (Mera Publications 2014).

effect as role models and give impetus for further social change concerning the employment conditions of disadvantaged groups.

The EF is probably not going to change the society in Nepal fundamentally. In the end, the project only partially reaches extremely marginalized groups, e.g. women with children, disabled, the very poor and illiterates (cf. Hollenbach et al. 2015). Despite the new constitution, which defines Nepal as a multi-ethnic, multi-lingual, multi-religious and multi-cultural nation (Constituent Assembly Secretariat 2015) (cf. 5.1.1), it still is challenging to include specific marginalized groups into projects like the EF. For example, to participate in the skills test a Nepali citizenship is needed (EFS 2015c). Yet, many Nepalese still do not possess a Nepali citizenship, as it can only be passed on from the father, i.e. children without a Nepali father<sup>55</sup> or resulting from rape do not get a citizenship even though they (and their descendents) were born in Nepal.

Yet, as everyday life at home and the streets might slowly change, with women and DAGs increasingly working - sometimes even in non-traditional trades - being self-dependent and feeling more confident, the training might be, nevertheless, *one* not to be underestimated trigger for social change.

### **8.3.2 The sustainability of the T&Es' businesses**

Closely related to the question whether the participation of private actors like the T&Es might contribute essentially to a change in society, is the question whether they are able to pursue their business in the long-term after the EF came to an end. As social change needs time the T&Es' sustainability in providing vocational training and service to the poor and disadvantaged groups is of utmost importance. Additionally, the T&Es' ability to plan or not to plan for the long-term might be a crucial indicator for the power relations within the PPP of the EF.

To strengthen the T&Es' capability to pursue their business after the EF ends the EFS provides them with guidelines and workshops to support their capacity building (cf. 7.2.4). This is supposed to lead to an increase in training quality and service provision. In addition to the financial incentives, this expected increase in capacity and quality is probably one of the main motives for the T&Es to agree to an otherwise rather imbalanced partnership.

Almost all T&Es valued the capacity building support by the EFS as positive. It apparently helped them "to move ahead" (*T&E 9*) and "outgrow [their] ability" (*T&E 4*). *T&E 6* explicitly mentions the important role of capacity building for the sustainability of their business and states that "it has been really good after joining the EF". Only one T&E claimed that the EFS should have done more.

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<sup>55</sup> Men with other citizenships or no citizenship at all.

Yet, capacity building is only one factor to ensure the businesses' persistence. The opinions of the T&Es regarding the influence of free training by the EF on the sustainability of their businesses are mixed. Some T&Es fear that due to the provision of free training the demand for fee-based training will decrease. However, as the EF ended in 2015 and the T&Es are facing their first year without result-based payments, many T&Es might decide to reorganize their business introducing such fee-based trainings. Whether and to what extent this will help them in sustaining their businesses is to be seen. However, some T&Es are optimistic in this regard and emphasize an increase in their prestige since they started working with the EF. *T&E 4* claims that people are coming from others districts to take training at his institutions, even if they have to pay a fee. In addition, many T&Es were able to employ former graduates as trainers, decreasing their dependency on trainers hired from the nearest urban centre.

According to the EF Annual Review 2015 (EFS 2015a), all T&Es, who cooperated with the EFS until the project's end, have been gradually able to sustain their businesses on the training and employment service market as all of them have at least one additional source of income. Of 39 T&Es, 33 provide training under EVENT (cf. 1.4), some collaborate with district development committees and other governmental organizations or NGOs, and 21 T&Es already offer fee-based training. Thus, none of the T&Es is entirely dependent on the EF's payments. Nevertheless, additional sources of income might also not automatically lead to T&Es being able to sustain their business in the long-term. Their major source of revenue in 2015 was still generated through the cooperation with the EFS (EFS 2015d). This emphasizes again the uneven distribution of risks within the PPP with T&Es being at a disadvantage.

Furthermore, changes in the T&Es' business operations might lead to changes in their role as social change makers. Some T&Es might need another development project to be able to continue the provision of high-quality training and employment services to their target groups. Yet, as the majority of T&Es already offers fee-based training in 2015, the end of the EF might lead to a shift from targeting poor to "not-so-poor" youths. To prevent this external funding organizations might always be necessary.

## 9 Conclusion

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This thesis analyzed the role of private Training and Employment Service Providers (T&Es) within a development project: the Employment Fund (EF) Nepal. It drew on empirical data, including interviews with T&Es, EF staff members, EF beneficiaries and other actors, observations and desk research to ascertain what power the T&Es possess within the EF, how much they can influence the project's outcome and whether there exist any divergent interests and values.

At first sight, the EFS seems to possess far more power and, hence, influence over the project's outcome than the T&Es. In a clear top-down approach it develops the project's guidelines, selects and monitors T&Es and determines the result-based payments. There is little room left for the participation of the private partners in the formulation of project policies and guidelines. Furthermore, as the T&Es have to make the initial investment and the EFS, additionally, possesses too many financial resources to experience severe losses if one T&Es drops out, the risk is disproportionally higher on the side of the T&Es. In accordance with Olivier de Sardan's (2005) and Arts and Van Tatenhove's (2004) definitions of power (cf. 2.1) the EFS, thus, possesses a high degree of institutional and organizational power. That leads to T&Es following the EFS' guidelines (at least at first sight) as they depend on the EFS' financial resources - although they might not agree with them.

Yet, the T&Es are by no means mere implementers of the project. The fore-going actor-oriented analysis of the EF shows at which points in the project's processes and in which way the T&Es might challenge the obvious imbalance of power by seizing their opportunities to exercise power and influence to stimulate a turn within in the project in the direction that they want. These points shall be briefly summarized here with reference to the outlined principal-agent theory (cf. 2.1.1).

The advantage of a principal-agent partnership is that the principal can delegate certain tasks, he is not able or willing to fulfill, to agents. Generally, these agents possess knowledge that the principal does not have. Even if this is not the case at the beginning of the partnership, this arrangement will ultimately lead to the agents having more knowledge "on the ground". This concept also applies to the relationship between the T&Es (as agents) and the EFS (as the principal) within the arena of the EF.

The T&Es are the sole implementing actors and necessarily know more about the project's implementation into practice. The EFS developed a thorough monitoring system, yet, as the number of EF staff members is relatively small compared to the EF's outreach, it is not possible for them to verify and control every action of each T&E (for example, during the conduction of the RMA or the selection of trainees; cf. 8.1.1& 8.2.1). Moreover, besides their technical knowledge,

T&Es possess knowledge about local markets as well as about local economic, cultural and social realities. It is likely, that the trainees put more trust in *them* than in the EFS. Moreover, the T&Es probably have better relationships and business connections to potential employers and creditors than the EFS which is located far away in Kathmandu. Drawing on the definitions of various power types by Arts and Van Tatenhove (2004; c.f. 2.1), the T&Es therewith especially possess dispositional and relational power, i.e. they are able to influence the project due to their (local) knowledge, relations and the information gap between them and the EFS.

However, their dispositional and relational power is limited or might possibly not be fully used because of the T&Es dependency on the project's resources and because of the organizational and institutional power of the EFS. The T&Es might be too worried about the consequences if they violate the rules and regulations to actually and fully exploit their dispositional power. As explained above, an early termination of the contract and the partnership might have much more severe and existential consequences for the T&Es than for the EFS.

Nevertheless, power is not always deployed actively and intentionally. For example, a number of changes of the project modalities (e.g. MEJC trainees had to pay for themselves for the skills test) in addition to an insufficient communication about these changes led to confusion on the side of some T&Es over the project's applicable modalities. Hence, in this case, T&Es might alter or circumvent the guidelines according to their interpretation and without really knowing – thus they deploy their power unintentionally.

In addition to knowledge gains, public entities often turn to private actors in order to profit from the private sector's efficiency, which in part results from its flexibility. Yet, in the case of the EF, the private actor's flexibility is severely limited. The EFS has a strict financial limit for each aspect of the EF. If the T&Es want to adapt one aspect (and the EFS allows to do so), they have to pay for it themselves. Moreover, some changes, e.g. the extension of training period (which is suggested by some T&Es), cannot be implemented per se.

This clearly contains some conflicts of roles and interests: While the T&Es fulfill important and essential tasks within the EF and are indispensable partners for the implementation of the project they are controlled at almost every step they take. Thus, they cannot arbitrarily and quickly decide, for example, to change, extend or improve (and thus to possibly raise the costs for) the training they are providing. Their limited agency and their lack of possibilities for relatively spontaneous reactions on economic and market demands as partners of the EFS might lead to a decreased competitiveness of the T&Es and contradicts the main principles and criteria of the private sector. Furthermore, the limited agency of the T&Es and the strict regulations might also decrease the number of women and DAGs participating in the project as the T&Es are not able to respond adequately to the individual needs of trainees, if necessary.

On the other hand, it is uncertain, whether they would do so at all. The social responsibility of each T&E depends on their motivation and corporate identity. From an economic point of view their foremost-goals as private partners is probably not the promotion of women and DAGs. The EFS has explicitly adopted its guidelines to stimulate the inclusion of the poorest and disadvantaged people into the EF. But these still leave room for maneuver and possibilities to the T&Es to (partly) circumvent the rules as is shown above. They occupy enough power and room for maneuver not to choose the poorest of the poor if they do not want to. In other words, whether the target group specified by the EFS is reached depends heavily on the motivation of the T&Es.

In general it can be said that the EF has been very successful. But after this thorough analysis the question arises whether it could even be more successful – concerning the Public-Private Partnership – if the intrinsic motivation of T&Es was more closely examined and if this motivation would possibly be regarded as a recruitment criterion, if the T&Es were provided with more room for maneuver and if the EFS would put more trust in them.

The interviews and documents that have been analyzed for this thesis provide some important indications of the potential that lies within the PPP between the T&Es and the EFS while at the same time identifying some areas of conflicts within this PPP. They also reveal what kind of power the private sector has within the EF and how the private partner (might) use this.

Nevertheless, the data base only allows limited statements about how the majority of T&Es ultimately exerts their dispositional and relational power. Further research is needed to address this and other questions regarding the role and power of the remaining actors, e.g. beneficiaries, donors and employers.

## **9.1 Recommendations**

The success of the EF in reaching the poor underpins the effective partnership between the public and private sector. Nevertheless, above mentioned shortcomings might hinder the project to use its resources and modalities to their full potential. To further improve the integration of the private sector into development projects like the EF, following recommendations should be considered:

- **Reduce the number of T&Es and extend the contract duration**

The constant need for T&Es to apply and the concomitant insecurity put the T&Es in high risk and might hamper their trust in the EFS. This, in turn, might foster fraud. Furthermore, it might decrease the costs for capacity building while increasing the sustainability of the T&Es' businesses. Though a reduced number of T&Es might decrease the outreach of the EF, its effectiveness might increase.

- **Take the motivation of T&Es into account**

T&Es have the final say regarding the selection of trainees. Their motivation is crucial for reaching to the intended target groups. Matching motivations might furthermore promote the mutual trust within the PPP.

- **Increase the inclusion of qualitative data**

If a graduate did not find gainful employment, one should inquire about the reasons (all possible ones, i.e. the inquiry should not consist of a few options among the graduates can choose). If necessary it might be advisable to employ external help (e.g. during the stressful time of verification). The additional expenditure is probably worth it, considering that this inquiry can lead to the project being better adapted to the need of the poorest, especially DAGs and women, and their (gainful) employment rate might increase.

- **Increase the (early) integration of T&Es**

T&Es should participate in the development of guidelines as they are the ones implementing them. This puts the private and public actor (more) on eye level and decreases potential conflicts and deception.

- **Facilitate the exchange between T&Es**

T&Es might be able to support each other, e.g. providing tips or using synergy effects.

- **Promote a *healthy* competition between T&Es**

Provide potential trainees with a list of all (nearby) T&Es so they might be able to decide where they want apply. This might decrease the drop-out rate and increase a healthy competition between T&Es (contrary to the one-year-contract cycle), possibly promoting the quality of the training.

- **Increase the flexibility of the time frame**

Different starting dates of trainings, for example, takes into account the seasonality of some trades and prevents increased competition between graduates. A flexible time frame further decreases the amount of work MOs have to fulfill during the verification phase. In addition, verifying the establishment of business and creation of at least one other job after only six months should be carefully revised. Experiences show, that it might take 12 months to successfully startup a business (cf. NARMA 2010).

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## 11 Annex

### A. Interviews and other personal communication conducted by Jaggi and Seithel

Interviewee	Position	Organization	Location
Devi Prasad Dahal	Youth Employment Project Manager	Swisscontact	Patan
Usha Bhandari	National Program Officer	Swiss Agency for Development and Cooperation	Patan
Ima Narayan Shrestha & Ravi Sharma	Deputy Project Director, Planning Officer	Enhanced Vocational Education and Training	Kathmandu
Diwat Kumar Shrestha	Project Director	Skills Development Project	Kathmandu
Binod Guragain	Executive Director	Youth and Small Entrepreneur Self-Employment	Kathmandu
Robert Towers	Economist - Economic Development Team	Department for International Development	Patan
Bal Ram Paudel	Team Leader	Employment Fund	Patan
Gopal Krishna Dangol	IT and Logistic Officer	Employment Fund	Patan
Sonja Hofstetter	Programme Officer	Employment Fund	Patan
Bhanu Pandit	Monitoring and Evaluation Coordinator	Employment Fund	Patan
Shiw Charan Prasad	Regional Monitoring Officers	Employment Fund	Birgunj
Khul Bahadur Thapa	Regional Monitoring Officer	Employment Fund	Pokhara
Manoj Thapa	Field Monitoring Officer	Employment Fund	Patan
Jeevan Raj Lohani	Principal Researcher	RIDA	Various locations

## **B. Interview guidelines for T&Es<sup>56</sup>**

### **Questions about the training agency and linkages to the Employment Fund**

- When did you start offering Vocational Training and Education Courses? Can you brief us about the establishment and development over the years?
- What are the key trades you have been providing training on?
- How many Service Institutions do you have? Where are they located? Do you also organize mobile trainings in remote areas?
- Do you offer training in the same trade at each location? If no, mostly what kind of training do you provide especially at which location and why?
- When did you start working with EF? How do you came to know about it? Can you tell us about the initial application and selection procedures? In your opinion, why have you been selected?
- What do you think about the selection process of the training providers? Does it make sense for the project that the providers have to apply each year? What are the dis-/advantages of this procedure?
- How do you perceive your role in the EF project? What do you want to achieve?
- What kinds of vocational trainings and education courses do you provide? Did you provide other trainings before?
- How do you select the training and education courses you need to provide?
- What do you think of the Rapid Market Appraisal (RMA)? Is it a useful tool? If not/yes, why so? Did you get assistance for conducting the appraisal? Did you need it? How long did it take you to conduct the appraisal? Was it enough time? If not, why so? Did you trust the results? Did you choose your training according to the results? If not, why so?
- Is the training the same for all groups (i.e. disadvantaged, male and female) or are there differences in the type of skills you provide for one trade related to gender or social status? If yes, why so? If no, why not?
- What are the arrangements for the training (human resource, facilities, equipment)? How many trainers and employees in general work in your company? Do you employ graduates? How many?
- Do you train your trainers? If yes, what kind of training do you provide? If no, why not? How often? Who provided training to your trainers?
- Were there any changes in the last years for your training program or your company in general? What has led to such transition?
- What support did and do you receive from the EF? How adequate have these inputs been? What do you appreciate and what needs further improvement in terms of EF inputs?

### **Targeting and implementation effectiveness**

- Who approaches whom at first for the training? (That is, do you ask people who might meet the criteria to participate or do you advertise and then people have to apply?)
- What is the procedure for taking up the new entrants? What do you think about the selection process of the trainees? What are the opportunities and challenges in selecting the disadvantaged groups? What can be done to overcome these challenges?

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<sup>56</sup> The interviews were semi-structured, i.e. the guidelines were , if necessary, spontaneously adapted for each interview.

- In your opinion, does it make sense to focus on disadvantaged groups? Does it make sense to focus not only on disadvantaged groups but to target also on poor people who might not be disadvantaged in the strict sense?
- Do the trainees come from the same district - i.e. the district you are providing the training in - or from somewhere else? How old were the people within your training and education courses in average? Are there reasons why this specific age group participate?
- Does the fact that you get different amounts of money depending on the kind of person you train (that is for example male or female) influence your selection of trainees? How? What are the advantages/what are the disadvantages of this incentive based targeting?
- What about the fact that you get your money only after the training? Does it influence the selection of trainees? How?
- How have the two targeting approaches of EF, i.e. path to prosperity and working with potential entrepreneurs for job creation (MEJC), been helpful in targeting and benefitting disadvantaged groups? Optional: Which approach is more viable and appropriate while working with disadvantaged groups? Why?

#### **Training:**

- How is the demand among the target groups?
- Do you cover soft skills? Which (soft) skills do you consider particularly important? Why? How are your trainees trained in soft skills?
- What did you do to link your trainees to employment opportunities? Do you always do that? What has worked well and what has not? What can be done to make that work well? Is there a difference in linking trainees from DAGs, women or men to gainful employment? What kind of difference?
- Have you monitored the trainees after completion of training? (Effectiveness of training) If yes, how often, when? How did you do it? If no, why not?

#### **Perception and Rating of Impact:**

- Compared to the aspirations of the youths when they begin their training, what have been the achievements? Are those aspirations met? Have their aspirations and the way they perceive their future changed? Is there a difference between someone from a DAG and someone else?
- Having followed the training throughout the training period and following up further, what changes do you observe in their income and their behaviours?
- Do you know how many of your graduates migrate? Or how many of them do talk about it? Do you know the reasons for that? Do you think the training (and the program in whole) prepares the trainees appropriately for going abroad? Do they need other skills for going abroad? What would you recommend? How many of them come back?
- What have been the direct and indirect benefits of the trainings? Have they been able to bring changes as anticipated by the EF? In which ways?
- What are the differences between youths who receive training and who do not?
- What factors do you consider to be drivers for a trainee to graduate successfully and get a gainful employment?
- Do you see a correlation between the frequency of attendance of the trainee in the training and the probability of a gainful employment?
- Do barriers exist for disadvantaged groups to utilize the skills training to the optimum level? If yes, what kind of barriers? How has the EF and training providers contributed to reduce those barriers? Did it work?

- What are the differences and innovations that the EF introduced in the Technical Education and Vocational Training Sector? Have there been significant changes within the sector over the last years? If yes, please more details
- What was the impact of the EF concerning the capacity building, growth and expansion of Training and Employment Service Providers? Was there an impact?
- If yes, who has benefited from such expansions? What do you consider to be the reason for that? If there was no impact, what were the reasons for that?
- What are the changes that you see in your institution before and after joining the employment fund training programs?
- Should programs such as the EF be continued in future? If yes, any suggestions for improvement and adjustments? If not, why?
- How do you see your future after the EF project ends? What are your future plans?

## **Personal declaration**

I hereby declare that the submitted thesis is the result of my own, independent work. All external sources are explicitly acknowledged in the thesis.