

“The franchising approach to skills training has been successful in up scaling mobile short-term skills training for disadvantaged youth in Nepal”

By F-SKILL in collaboration with SDC Nepal

In 2003, the company F-SKILL Pvt. Ltd in cooperation with SDC Nepal introduced the franchising approach to skills training. Franchising means one company (Franchisor) granting authorisation to another company (Franchisee) to sell and distribute its goods or services. In this variant of the franchising system, the company **F-SKILL** works together with a network of partner franchisees (local companies) that are based throughout the country in reaching out youth from disadvantaged communities. The F-SKILL Franchising system was introduced in vocational training in Nepal with the sole aim of providing quality technical and vocational skill training to disadvantaged young people living in remote areas in Nepal. Initially, with just one organization providing training, only about 500 youth could have access to training per year. After the introduction of the franchising system, F-SKILL can provide training to over 8000 young people per year, The franchising approach was applied based on the assumptions that a) the business model can provide the financial incentives necessary to upscale trainings and b) business partners are closer to/better informed about local labour markets, and hence they can more easily link training with employment, especially for disadvantaged youth.

The company **F-SKILL** is providing a package of services and products, including training material, training of trainers, monitoring and business support, to 19 Franchisees. The advantage of franchising in contrast to self-start means for these companies that they bear fewer risks, especially in the start up of their business as they benefit from the inventions, procedures and networks already established by **F-SKILL**. The special feature in this variant franchising model is that trainees from disadvantaged groups do not pay for the trainings themselves, but donors bear the costs. **F-SKILL** and its Franchisees are paid according to their success to a) target the most disadvantaged groups (differential pricing) and b) put trainees at work (impact financing). Differential pricing means a higher premium is paid for the training of youth from discriminated groups including dalits, janajatis women and conflict affected people. Moreover, impact financing implies that full payment is only done if the Franchisee can put the trainees at work. **F-SKILL** monitors whether trainees are gainfully employed or self-employed (according to a set threshold) after 3 and after 6 months of training.

The results of **F-SKILL** are remarkable and donor's interest is high:

- **Outreach:** **F-SKILL** has been able to increase the number of training from around 2'500 in 2007 to around 7'500 trainings in 2008. **F-SKILL** has opened sub-offices in four out of five Development Regions, and its Franchisees have been conducting trainings in 67 Districts of Nepal (out of a total of 75). **F-SKILL** trainings include training for the domestic and the international market (overseas employment).
- **Results:** The tracer study conducted in 2007 and more recent results show that the employment outcomes of **F-SKILL** training are high. E.g. in 2008 almost 86% of **F-SKILL** trainees were gainfully employed after 6 months of training. Around 80-85% of trainees are from disadvantaged groups including dalits, janajatis, conflict affected youth and women. Women account for 50% of trainees; the employment outcome of women is almost the same as that of male participants. However results show that women tend to have much lower wage rates than men.

- **Donor support:** **F-SKILL** has been able to establish itself as one of the lead organisations in short-term skill training in Nepal, and attract increasing donor funding. In 2009, **F-SKILL** has conducted training for the Employment Fund (to which SDC and DFID contribute) as well as for UN-Habitat and USAID. The World Bank is likely to fund training for adolescent girls in 2010.

Questions:

- **Is the franchising approach to skills training transferable to other countries and contexts, and if so, what are the pre-conditions in order for such a business model to work?**

The franchising approach is new and innovative in the context of Nepal, and scepticism to what extent such a model could work existed, especially in the initial phase of the project. Certain pre-conditions favoured the success of the business model in Nepal namely **F-SKILL**'s ability to provide a high quality franchising product, its continuous quality control, the interest of local businesses (Franchisees) and continuous donor support.

- **What are the opportunities and challenges working with the private sector?**

As mentioned, **F-SKILL** has built on the opportunities of working with the private sector. Nevertheless, this has not been without challenges; Challenges include the following: a) Franchisees' first priority is usually profit and they tend to focus more on the economic gains than on the social ones. B) Regarding the selection of participants: Franchisees tend to take participants who will need less post training support, i.e. those who will be able to go straight to work after completion of training. The donors' focus is more on providing services to the poorest of the poor who need much more support in terms of counselling and access to credit after completion of training. C) Quality Control; field staff always need to be vigilant because Franchisees as business people almost always find ways to minimise their costs.