

ANNEX 1 – Swisscontact’s Voucher Training Programs

Swisscontact’s voucher training programs: Comparisons, lessons and next steps

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The presentation

- Different types of voucher programs
- Comparisons, lessons and challenges
- After the program...
- Next steps

Different kinds of voucher programs

- Large programs geared to microenterprises in all sectors:
 - IDB-financing: Paraguay, Ecuador, Argentina
 - Local + Swisscontact/COSUDE financing: Peru
- Small programs geared to microenterprises:
 - Swisscontact/COSUDE: Cochabamba, Indonesia
- Programs geared to formal sector firms:
 - IDB-financed: Argentina
 - Swisscontact/COSUDE: El Salvador

Justification and tools

Issue	Large, microenterprise: Paraguay, Ecuador, Peru	Small, geared to microenterprise: Cochabamba, Indonesia	Geared to formal-sector firms: Argentina, El Salvador
Theoretical justification	Information asymmetry	Information asymmetry	Information asymmetry
Principal tools for overcoming information asymmetry and risk	Information service at distribution point; Voucher	Cochabamba: voucher Indonesia: voucher is secondary	Argentina: information + voucher El Salvador: voucher is secondary

The lessons and challenges

- Voucher programs are complex and require:
 - in-depth understanding of voucher users' needs
 - information service for voucher users
 - market development activities on the supply side (advertising, meetings with voucher users and suppliers)
 - courses/technical assistance for suppliers
- How should scarce resources be allocated between subsidy and market development activities?

Sectors & voucher distribution

Issue	Large, microenterprise: Paraguay, Ecuador, Peru	Small, geared to microenterprise: Cochabamba, Indonesia	Geared to formal-sector firms: Argentina, El Salvador
Sectors	Generally no restrictions	Cochabamba: garment production; Indonesia: unrestricted	Argentina: unrestricted; El Salvador: Food, metalmechanic, chemical
Voucher distribution	Distribution done by program	Cochabamba: distribution done by suppliers; Indonesia: distribution done by third party	Argentina: distribution done by program; El Salvador: distribution done by suppliers

The lessons and challenges

- Sectoral approach works in Cochabamba and El Salvador
 - suppliers develop products that consumers want
 - supplier strengthening activities are important
 - good choice of sector can be attributed to both good judgment and luck
- Distribution of vouchers by suppliers increases usage:
 - convenient for users
 - suppliers have a lot of discretion in terms of distribution
 - programs face the challenge of balancing convenience for consumers and control by administrators

Voucher users

Issue	Large, microenterprise: Paraguay, Ecuador, Peru	Small, geared to microenterprise: Cochabamba, Indonesia	Geared to formal-sector firms: Argentina, El Salvador
Target population	Microenterprises (formal and informal)	Microenterprises (formal and informal); Indonesia: start-ups	Small and medium-sized formal-sector enterprises
Actual voucher users	Actual and potential microenterprises	Actual and potential microenterprises	Formal-sector enterprises

Voucher usage

	Vouchers Used	Objective	Used/ Objective (Prorate-%)
Paraguay	10,000	50,000	n/a
Ecuador	5,000	30,000	50
Peru	3470	31,800	20
Cochabamba	4,000	4,000	100
Indonesia	1,150	8,800	15
Argentina	1,600	20,000	10
El Salvador	2276 (1999) >1000(2000)	n/a	100(1999) n/a(2000)

The lessons and challenges

- Smaller, sectoral programs better at setting objectives
 - Most programs need a clearer understanding of users to devise more realistic objectives
- Potential microenterprises are important users, but what are the implications for programs which seek to strengthen existing microenterprises?

Objectives

Issue	Large, microenterprise: Paraguay, Ecuador, Peru, Argentina	Small, geared to microenterprise: Cochabamba, Indonesia	Geared to formal-sector firms: Argentina, El Salvador
Objective	Income generation Peru: competitiveness	Income generation and competitiveness	Improved competitiveness (international standards)

The lessons and trade-offs

- Competitiveness as an objective requires lots of resources (specialized personnel, support activities and funds)
- Subsidy should not be too inflationary

Understanding demand

Issue	Large, microenterprise: Paraguay, Ecuador, Peru, Argentina	Small, geared to microenterprise: Cochabamba, Indonesia	Geared to formal-sector firms: Argentina, El Salvador
Understanding Demand	No in-depth preprogram studies	No in-depth preprogram studies	Argentina: trade associations part of board of directors El Salvador: in depth market diagnostic

The lessons and challenges

- Programs geared to formal-sector firms better at understanding demand, but they still need to improve
- How can techniques of formal-sector programs be adapted to microenterprise programs where firms are not as organized?

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Typology: Supplier strategy X client income level

	Innovators	Convenience	Socially-driven	Mass-marketers
High	Microenterprise programs	Formal: El Salv.	Formal: El Salv.	Formal: El Salv.
Medium		Microenterprise programs	Microenterprise programs	Formal: El Salv.
Low	Formal: Arg, El Salv.		Microenterprise programs	Microenterprise programs

The lessons and challenges

- Program regulations matter
 - Argentina and El Salvador have innovators in low income categories
- Level of subsidy matters
 - Usage in El Salvador higher than in Argentina

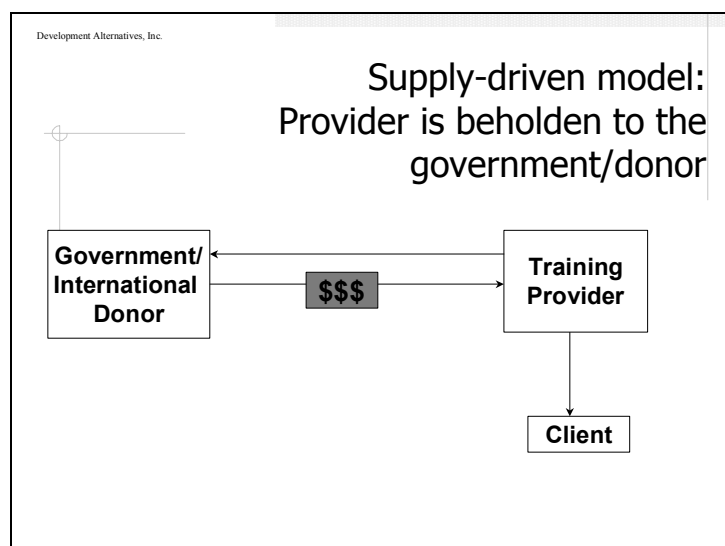
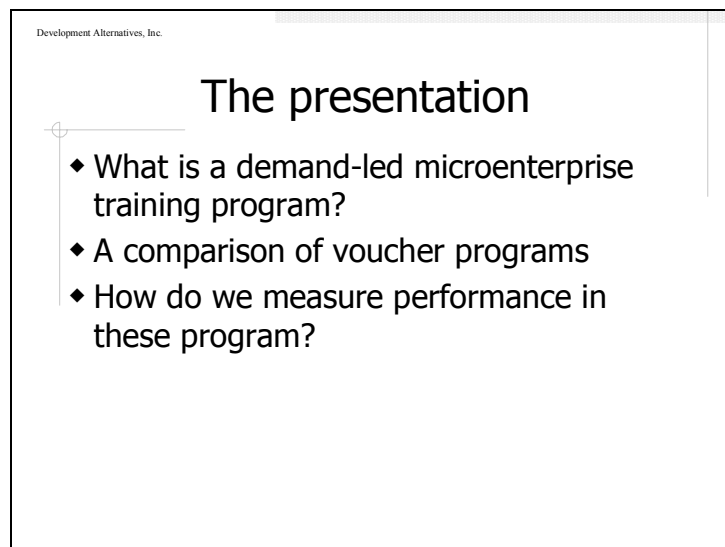
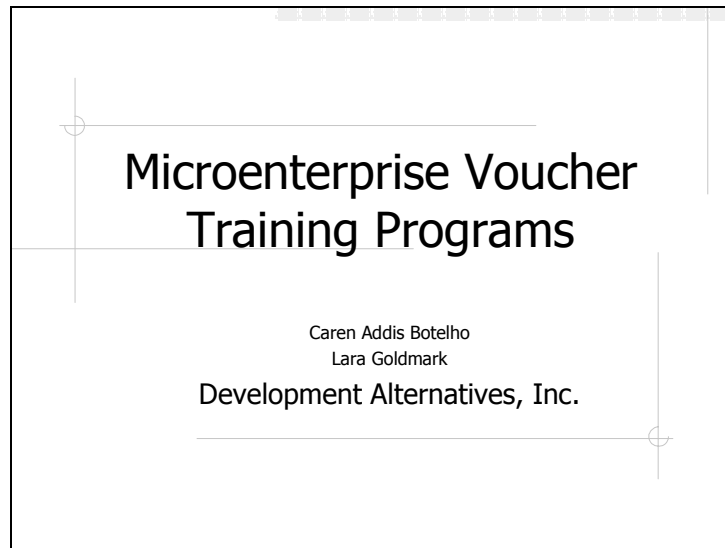
After the program...

- Likely to have an initial drop-off in demand for training
 - end-of-program rush
 - adjustment to subsidy-less environment
- Long-term effects:
 - Innovators: a few will learn how to cater to microenterprises
 - Convenience: some of these transformed themselves into mass-marketers
 - Mass-marketers: the goods ones will survive
 - Socially-driven: will continue to find new subsidies, but will also become more adept at developing profitable products

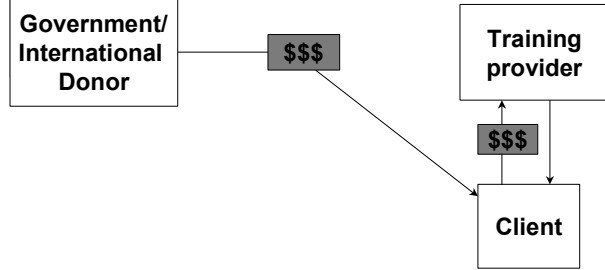
Next steps

- Learn about and adapt from programs geared to formal sector, particularly with respect to understanding demand
- Use Nicaragua's ProEmpresa as a laboratory for developing cost-effective strategies to understand consumers
- Monitor progress

ANNEX 2 – Microenterprise Voucher Training Programs



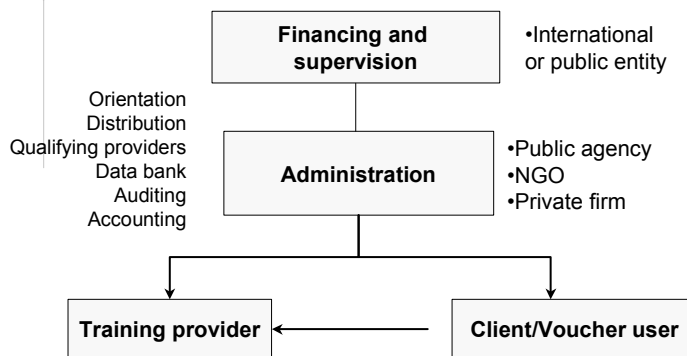
Demand-led model: Provider is beholden to consumer



Overcoming information asymmetries

- ◆ A underdeveloped training market is the result of information asymmetries
- ◆ The voucher decreases the risks for consumers and providers
- ◆ The consumer receives information to overcome asymmetry:
 - how to purchase training
 - how to use the voucher
 - how to prevent fraud

A "generic" program



Double objective for voucher programs

- ◆ Deliver training
(better quality and more variety than in supply-driven programs)
- ◆ Develop a sustainable training market

Introducing the programs and challenges

Lots of vouchers for a long time	Paraguay
How to design programs to improve international competitiveness in the formal sector?	Argentina
How to attract private sector providers?	Ecuador, Peru
Does a well-designed exit strategy work?	Bolivia
How to balance information and convenience?	Indonesia
Can network-building and market diagnostics be incorporated in microenterprise voucher programs?	El Salvador

Finance and administration

Characteristic	Origin	Administrador
Country	Origin of financing	
Paraguay	IDB/Ministerio Justicia y Trabajo	Min Justicia y Trabajo
Argentina	IDB/ADEC (Public/private)	ADEC (Ag. de Desarrollo Económico de Córdoba)
Equador	BID/Corporación Nacional Financiera (CFN)	CFN

Finance and administration (continued)

Characteristic / Country	Origin of financing	Administrador
Bolivia	COSUDE	Swisscontact
Indonesia	World Bank/ Nestlé	Swisscontact
Peru	Fondoempleo/ Min de Ind (MITINCI)/ COSUDE	MITINCI/ Swisscontact
El Salvador	COSUDE	Swisscontact

Size and reach

Characteristic / Country	Budget (US\$ 100)	Duration	Geographic extension
Paraguay	3000	1999-2002 (3 years)	Asunción Ciudad del Este
Argentina	2800	1998-2002 (3 years)	City of Córdoba
Ecuador	2200	1999-2003 (3.5 years)	9 cities

Size and reach (continued)

Characteristic / Country	Budget (US\$ 100)	Duration	Geographic Extension
Bolivia	300	1998-2000 (2 years)	Cochabamba
Indonesia	165	1999-2000 (1 year)	East Java
Peru	1,500	1999-2001 (2 years)	8 departments 4 districts in Lima
El Salvador	320	1999-2002 (4 years)	San Salvador and limited regions

Goals

	Firms Target	BDS	Objective (#)
Paraguay	Micros, Self-emp., others	Training, Internships	50,000
Argentina	Small, Micros	Training	20,000
Ecuador	Micros, Potentials	Training	50,000
Bolivia	Micros, Potentials	Training	8,000
Indonesia	Micros, Potentials	Training	8,800
Peru	Micro, small Youth	Training, Technical assist., Internships	31,800 4,500 2,800
El Salvador	Small, Medium	Training	n/a

Supply-side

Country	Number of Suppliers	Number registered courses	Supplier Strengthening (Activities/courses)
Paraguay	104	1300 (1996) 400 (1999)	Advertising, trade association/ pedagogy
Argentina	154	400	Advertising/Marketing
Ecuador	92	321	Advertising/Costs
Bolivia	8	N/A	/Costs and technical
Indonesia	36	New courses prohibited	Advertising, fairs, get-togethers/Costs
Peru	63	377	Advertising, get-togethers
El Salvador	23	N/A	Advertising/Courses, tech assistance

Prices

Country	Characteristic	Value of voucher (US\$)	Price training hour (US\$)
Paraguay		20	1.7 (1996) 1.25 (1999)
Argentina		50 and 35	4.68
Ecuador		10	0.36
Bolivia		13	0.78
Indonesia		6.50 or 50%	0.98
Peru		15	1.17
El Salvador		50%	6.11 (1999) 9.55 (2000)

Measuring performance with a focus on sustainability

- ◆ Focus on program performance indicators that “predict” sustainability
- ◆ Assume that good performance indicators bode well for sustainability

Demand and supply indicators

Country	Vouchers Used	Used/Objective (%)	No. suppliers	Active suppliers (%)
Paraguay	10,000	n/a	104	60
Argentina	1,600	10	154	30
Ecuador	5,000	50	92	50
Bolivia	4,000	100	8	100
Indonesia	1,150	15	36	50
Peru	3,470	20	63	65
B	2,276 (1999)	100		
Salvador	1,000 (2000)	n/a	23	100

Supplier development

- ◆ Active suppliers report 20 to 30 percent growth in the number of students
- ◆ New product development
- ◆ Better understanding of microenterprise clients’ needs
- ◆ Providers reaching clients who have had no previous experience with training

Measuring subsidies to providers

- ◆ **Subsidy to course (%)**

$$\frac{\text{Voucher income/}}{\text{(Course income, including students with and without vouchers)}}$$
- ◆ **Subsidy to training activities (%)**

$$\frac{\text{(Voucher income)/}}{\text{(Training income from voucher and non-voucher courses)}}$$
- ◆ **Overall subsidy (%)**

$$\frac{\text{(Voucher income)/}}{\text{(Total income of suppliers)}}$$

Subsidy indicators

Country	Subsidy to course	Subsidy to training activities	Overall subsidy
Paraguay	85	47	n/a
Argentina	50	14	5
Ecuador	40	23	16
Bolivia	70	33	28
Indonesia	45	<5	<5
Peru	73	35	14
El Salvador	26(1999)	n/a	6.5(1999)
	18(2000)		7(2000)

Thank you!