

Only such a rigid management of the contract secures a long-term establishment of a training market for SMEs in a sustainable way – which means a market with no external support.

Future challenges

Swisscontact has been supporting more than 250 providers of BDS over the last eight years. This successful model can be used in all sectors and all kinds of services. With respect to training, three potential areas will arise in future:

- export promotion: among others, tourism will be a promising sector with a lot of training needs (tour operators, hotel managers, transport companies etc.)
- social labels: interested SMEs need training in their management system in order to meet the standards of social labels such as SA8000
- e-commerce offers new business opportunities which need well prepared entrepreneurs for this new channel of marketing

Swisscontact will try to offer new services in order to develop models that improve the access of SMEs to these new business opportunities. The competitiveness of SMEs is a prerequisite to secure income and as a consequence to provide employment for poor strata in developing countries. Lack of economic growth and international exchange will endanger the socio-economic development process of these partner countries. ■

Financing Training through Vouchers

Peter Lutz, Swisscontact



The original idea behind the voucher system was the search of alternative approaches for the public financing of education and training. Instead of financing training institutions directly, individuals receive vouchers. They use them for buying education or training in an institution of their liking. The training institutions in turn redeem the vouchers and are thus being paid for the produced output.

The concept of vouchers was first presented by Milton Friedman in the fifties. The basic idea behind it was the attempt to create a competitive situation for schools and training providers, to promote private education, and to give individuals a possibility for the selection of their preferred training venue. Different countries experimented with voucher systems in various educational fields, but the system has not been introduced as a universal financing mechanism anywhere.

In development cooperation, voucher systems were introduced as an instrument within small enterprise promotion programmes. They are used to stimulate the demand for training rather than as an instrument for output financing of training providers. Swisscontact has implemented voucher programmes in four countries (Indonesia, Peru, Bolivia and El Salvador), and it is embarking on a new programme in Albania. The results have been studied and compared to the experiences of voucher programmes implemented and financed by other agencies.

Voucher programmes as an instrument in small enterprise promotion

Voucher programmes are a means for offering training (and other services) to enterprises, and simultaneously they are stimulating the development of markets for business development services. In combination with an information component, they are designed to increase the competitiveness of business development services and the training market as consumer knowledge is increased. Voucher-with-information programmes, as implemented by Swisscontact, offer temporary subsidies to a selected group of enterprises. The information component is of utmost importance as it allows enterprises to choose the services and providers that best fit their needs out of a variety. The subsidy component reduces the risks for entrepreneurs of making use of unknown services, and it encourages training providers to offer new services. Both components have a direct impact on the service market.

Which services are financed through vouchers?

Voucher training programmes have been used to subsidise training for employers and their employees, and to finance consultancy services for small enterprises. At the same time, vouchers are instrumental for human and institutional development of training providers.

When and where do voucher programmes work best?

Voucher training programmes can only be effective if there is a critical mass of private training providers. Urban areas with dense populations are most promising because of the availability of a multitude of potential clients and training providers, and because of short distances between clients and training providers.

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Pakistan

SSEP (Promotion of Small and Medium Enterprises Programme)

Implementation: Swisscontact
Financing: SDC

In the centre of this programme existing since 1994 is the promotion of small scale enterprises, related self help organizations and support institutions. Technical manpower with sufficient technical knowledge is missing at all levels, as shop owners train their workers just enough to fulfil their current job. Being confronted with this situation, the programme organizes technical perfection and actualisation courses according to demand and on a partial cost-recovery basis.

On the other hand, the programme has now started to develop the traditional "Ustaad-Shagird" apprenticeship system: most apprentices (and masters!) are illiterate or school dropouts. The programme intends to reduce the duration and to increase the quality of the system. The main idea of work in the current 1998-2001 phase is that the qualification of apprentices depends on the qualification of their masters, who receive technical training (they have to finance 60% of course costs) and a modest instructor's training. The project tries to fix a minimum curriculum ("skills list") for the apprentices by laying down what should be learned when. Functional literacy courses, which are offered to both masters and apprentices, are completely financed by relief agencies.

Budget (whole period 1998-2001):
CHF 600'000.-

Project staff: 26 person/months per year
Partners:

- National Training Board
- National Training Bureau
- Provincial Directorate of Manpower and implementation of training, monitoring, testing and certification
- Centre Management Committee: Advisory Board for Training Centres
- Training Providers
- Entrepreneur's Associations and Clusters

Photo: Swisscontact / Fritz Berger

Vouchers for education can motivate people to get training.

Kyrgyzstan

Business Promotion Project

The former Women's Promotion Programme (WPP) – called BPP since January '99 – was started by Helvetas in 1995 to address the needs of women in the area of business training and follow-up micro credit. The project aimed to encourage social competence and to increase the income of small women traders in remote rural areas, and also to create jobs. In order to get the women acquainted with the new, so-called "free" market economy, and to encourage them either to start their own business or to improve an existing one, Helvetas was chiefly engaged in imparting basic business principles.

Results:

Up to January 1999, 70 basic courses, with more than 1200 participants, were successfully held. For the extension of businesses, and newly founded businesses, 50 loans amounting to a total of 2 million Som (corresponding to approx. 80'000 US \$) were given. This allowed the creation of 114 jobs. The repayment of 90% of the loans can be described as exceptionally good, despite difficult conditions.

In 1999, the WPP was restructured as the Business Promotion Project (BPP) focusing on tourism as a sector of the economy with

a potential for rural tourism providers to generate income and jobs. In the future, men will also be able to visit participative training workshops.

The current phase will last until 2002. Within the programme that also comprises access to western markets, standard-setting and interregional tourism development components, training is organised in the form of workshops on business (management, marketing, business plans, taxation) and tourism (trekking guides, international cuisine, driving, specific marketing and planning, conflict management, etc.) issues. Participants have to pay a nominal fee. Some 120 business and 40 tourism workshops have been conducted so far.

Budget: CHF 265'000.–

Particular attention is given to contacts with potential partners and the creation of new products based on local resources. Responsible tourism has been identified as such a potential which could be realisable in the short-term. Actually, Helvetas is concentrating on this sector and is working with partners who are interested in offering tours with good service. 'NoviNomad' is the first tourist information in Kyrgyzstan concentrating on marketing and tourist product development. Management advice for local businesses and training are its main activities.



Photo: Helvetas / Hans Schaltenbrand

Kyrgyzse women get prepared for the free market economy in workshops.

Key components of voucher programmes

Voucher training programmes feature four key components:

- Administration

The administration of a voucher programme is complex and includes the establishment and management of an information centre, the distribution of vouchers, the registration of training providers, and the redeeming of vouchers submitted by training providers.

- Information centre

As information has been identified as one of the key success factors for voucher programmes, the establishment and management of an information centre is of utmost importance.

- Audit

Voucher training programmes need to be audited independently from the programme administration. Auditing should not only be seen as a means of preventing fraud, but also as an opportunity to gather information about consumer needs and characteristics.

- Training providers

A multitude of different training providers must meet minimal standards, e.g. as regards experience in training delivery, qualification of staff, etc., and they have to be informed about handling and redeeming the vouchers.

The high costs of administration and information can only be reduced through covering big numbers of potential clients in a geographically limited area.

An increasing number of small and medium enterprises get access to new services, and training providers have gained access to new potential clients. Training providers were stimulated to develop new products. But there is no proof yet that the impact on providers and clients is sustainable. ■