Analytical summary of nine voucherprograms

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PREFACE

In 1995, the Committee of Donor Agencies for Small Enterprise Development began the process of forging a set of guidelines that it would use in establishing principles for donor intervention.[1] The participants recognized that the traditional approach of identification and provision of business development services (BDS) for select target groups had not led to adequate supply of these services. A new paradigm emerged that focused on market-driven programs that support BDS as a means to reach the donor goals of enhanced productivity and competitiveness among micro- and small enterprises, alleviation of poverty, creation of jobs, and greater social mobility.

Past supply-driven programs have resulted in services designed with donor exigencies in mind more so than the needs of the consumers, the small enterprises. The new guidelines are predicated on the belief that a market approach to the delivery of BDS is best, that small enterprises will pay for services that have a measurable benefit to them, and that providers can profitably deliver services to this chronically underserved segment of society.

In most developing countries, market failures hinder the optimal consumption of the business services that would lead to improved economic performance for small enterprises. Donor interventions today are aimed at correcting these failures not through direct support to suppliers but by addressing such market weaknesses as information asymmetries, latent demand, and scarce supply. One tool developed to address weaknesses in the market for training is the voucher-with-information, or vouchers. Voucher programs stimulate demand for training and, through increased demand, develop supply. Under this approach, in a virtuous circle of increasing demand and responsive supply, the market continues to flourish after the intervention ends. These programs are demand-driven, relevant to small enterprises, and, in optimal cases, stimulate sustainable market development.

[1] Committee of Donor Agencies for Small Enterprise Development, February 2001. "Business Development Services for Small Enterprise: Guiding Principles for Donor Intervention, 2001 Edition." Washington, D.C.: Committee of Donor Agencies for Small Enterprise Development.

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CHAPTER ONE
INTRODUCTION

THE RESEARCH AGENDA

Vouchers-with-information programs, hereafter referred to as voucher programs, are a relatively new tool for building stronger markets for training for small enterprises. The voucher concept—issuance of a coupon that can be redeemed by consumers for specified goods or services, then redeemed by the goods or service provider for cash—was originally designed as a wealth-transfer mechanism. Vouchers have been used for provision of food (in the form of food stamps), for public housing, and, recently, for basic education. It is only within the past six years, however, that they have been used in the microenterprise field with the dual objectives of training delivery and market development.

The research synthesized in this paper contributes to the growing body of methodologies and analytical tools for evaluating innovative approaches to BDS market development. The research is unique in several respects:

The study was designed as a long-term initiative under the Microenterprise Best Practices (MBP) Project funded by the United States Agency for International Development (USAID), giving researchers the opportunity to revisit at yearly intervals several programs funded by the Inter-American Development Bank.

Voucher programs already in progress were analyzed both individually as case studies, then together as a pool of experience in order to assess best practices in their design, implementation, and performance. In this way, researchers can articulate principles derived from experience in the field, as opposed to tracing program evolution from theory to principles to practice.

Because the voucher tool is new in the microenterprise context, researchers developed program-specific research methodologies.

Under a separate contract with the Swiss nongovernmental organization (NGO) Swisscontact, several additional programs were also evaluated. This additional contract expanded significantly the pool of programs that was evaluated using the same methodology, creating the opportunity for benchmarking success at the program and market levels.

ORGANIZATION OF THIS PAPER

As with all BDS programs, the evaluative criteria for assessing voucher programs are based on program objectives. To determine whether the model works, the specific objectives and the attendant design elements created to reach them can be analyzed on the basis of the four main goals of BDS interventions: outreach, market development, cost-effectiveness, and sustainability. This research assesses live programs and, by extension, the viability of the voucher tool through the identification of best practices based on levels of achievement of these four goals:

Outreach. The issue in interventions is scale, part of the rationale for developing BDS markets rather than supporting a limited number of suppliers. However, in addition to

sheer numbers of microenterprises reached, for purposes of this analysis researchers discuss the composition of demand. What does demand look like? What segment of the population is the program attempting to reach? Have market diagnostics clearly identified the appropriate segment, and have design elements resulted in high usage in this segment? Are new consumers using vouchers, and are past users seeking training without the voucher subsidy? Has the program contributed to developing effective demand?[2] How can we measure outreach?

Market development. What are optimal conditions for potential market development? How has the intervention affected the structure of the market, including breadth and depth of providers? Have suppliers begun to address the microenterprise market? Are new suppliers entering the market? Has the program contributed to developing effective supply? To what extent are commercial transactions taking place between providers and consumers? Does competition exist in the market, and are suppliers adjusting and developing new products in response to market signals? How do suppliers react and adjust to weaknesses in the market through looking at consumer transactions? How can we measure market development?

Cost-effectiveness. Is the program being administered efficiently? What design choices affect cost-effectiveness? What is the most appropriate governance structure given program objectives? Have program objectives been met? Are there tradeoffs between size and efficiency? How can we measure cost-effectiveness?

Sustainability. What would a sustainable voucher intervention look like? Does the program have a well-defined exit strategy? What will happen when the vouchers disappear? What provisions have designers and administrators made to encourage continued, private, sustainable provision of training to the target segment? Is the information asymmetry diminished? What would a sustainable information function look like? Who would pay for the service? What exactly would be offered? How could a sustainable information service be incorporated into program design? How can we measure sustainability?

The voucher programs studied for this paper have several elements in common. They were all designed to stimulate demand for training among enterprises, whether start-ups, micro-, small, or medium-sized enterprises (a few of the programs also provide vouchers for technical assistance, information services, and internships, but to date these alternate products have not generated strong demand among voucher users, with the main focus therefore still on training). The programs all use grant funds from international donors to finance their operations. The implicit assumptions that underpin this model will be discussed in more detail. It is important to highlight, however, that the discussion in this paper focuses primarily on findings that are relevant to the model studied. Other uses for vouchers, such as to purchase completely different types of services (for example, advertising, accounting, or legal services), or as demand-tracking devices, are mentioned only briefly.

[2] For a detailed discussion of effective supply and effective demand, see Michael Fields, Rob Hitchins, and Marshall Bear, November 2000. "Designing BDS Interventions as if Markets Matter," Washington, D.C.: USAID.

CHAPTER TWO
RATIONALE FOR INTERVENTION

Donor interventions attempt to address market failures that result in poor people not having access to the tools and resources necessary to improve their standard of living. Below is a list of other possible market failures vouchers may be used to address:

The perception of training as a public good whose benefits cannot be appropriated by the private sector;

Microenterprise training as an infant industry (in which vouchers reduce the risk to providers of serving a new clientele); and

Information asymmetries, in which providers and consumers have insufficient information to create optimal exchanges.[3]

The first market failure, training as a public good, is disregarded in this paper.[4] The authors believe that business training is a service whose benefits can be internalized; therefore, the public-good argument does not justify a subsidy in the form of a voucher.

The second two market failures are acknowledged as possible motives for intervening with vouchers. The voucher intervention is designed to demonstrate to providers that when the product has benefits that can be appropriated by the consumer and has immediate results, consumers will pay for that product. The subsidy stimulates the provision of training by reducing risk for providers who doubt microenterprises' ability or willingness to pay. Once the risk is minimized, providers are stimulated to adapt their products to meet microenterprise needs, as well as develop new products. As the market becomes more developed, new entrants contribute to supply. At the same time, the subsidy reduces risk for consumers who have had little or no experience with training and question its value to them. With the subsidy to mitigate the risk, many consumers purchase training for the first time. Information about available supply and extent of demand stimulates recognition of the potential for a mutually beneficial dynamic between providers and consumers of training.

HISTORY OF THE VOUCHER TOOL

The concept of using a voucher as full or partial payment for a service is not new and not exclusive to training. One of the first uses of vouchers was the food stamp, created during the Great Depression as a means to combat poverty and assist vulnerable families in purchasing food. It had the additional effect of stimulating supply through increased demand. Food stamps have become part of the United States' safety net that insulates low-income families from destitution.
Vouchers have also been used for decades to help low-income segments of the population, including the elderly and the disabled, afford safe and sanitary housing. The voucher for this

[3] Department for International Development, November 2000. "Making Markets Work Better for the Poor: A Framework Paper," United Kingdom: Department for International Development.

[4] It is worth noting, however, that in some countries government policymakers argue that (or behave as if) enterprise training is a public good. In these cases, vouchers may become a permanent fixture; for example, to privatize a training market that has long been dominated by state-funded training behemoths (such as in Paraguay).

use differs from supply-side, subsidized housing projects in that it allows freedom of choice in location.

Both the programs mentioned, despite challenges and inevitable market distortions, have been successful in providing assistance to low-income populations. They were designed as wealth-transfer mechanisms and continue to this day as permanent programs in many areas.

Vouchers have been used in many countries, most notably Chile and Colombia, as a tool to privatize and upgrade both primary and secondary education. The mechanism has generated considerable controversy recently in the United States as an alternative to traditional financing for public education. This application is not a transfer of wealth but a redistribution of public funds whose purpose is much like that of the voucher programs designed to promote training markets: empowering consumers and stimulating competition.

VOUCHERS FOR SMALL-ENTERPRISE TRAINING

Use of vouchers as a tool to stimulate development of the market for small-enterprise training is relatively new. This approach arose from the understanding that microenterprises will buy services that they believe will help them improve their income-generating capabilities. However, unlike financing, which might be considered an operational cost, training is more of a strategic service, one not perceived to be necessary for the daily functioning of the enterprise.[5] Though enterprises might recognize that they are not optimizing their operations, they sometimes cannot articulate what service or services might improve their situation. This is where the voucher fits in. The voucher highlights training as a desirable product and provides partial payment of a course, thereby lessening the risk to the consumer of purchasing a service for which he or she has not perceived a previous demand. For this reason, the voucher is considered a demand-side tool, serving to stimulate latent or weak demand for a product of value for economic growth.

Microenterprises at various stages of growth need different business development services in addition to access to financing.[6] Frequently, the start-up enterprise seeks capital and technical skills, the growing enterprise demands administrative training, and the mature firm may want marketing services. Development practitioners widely accept training as one of the most basic of the business development services, and attribute its underconsumption in many emerging economies to the risk and information asymmetry factors mentioned above. In addition, training for the smallest of enterprises is not considered a financially viable service like marketing, technology access, or accounting services.[7] Voucher programs aim to address the training needs of microenterprises and demonstrate the commercial potential of training provision.

A critical element of successful market development is information. The voucher alone does little to stimulate demand if voucher recipients cannot locate an appropriate provider. In this sense, the voucher is as much about aligning supply and demand as it is about stimulating supply. Competition for customers is what stimulates providers to create new courses, identify niche markets, and seek new markets. It is the absence of competition that has doomed so many supply-side training initiatives to failure: providers see the funding agents, rather than the recipients of the training, as their customers. With information about training providers

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[5] Committee of Donor Agencies for Small Enterprise Development, February 2001.

[6] Rosario Londono, Costa Rica BDS case, 1998. Unpublished draft, Washington, D.C.: Inter-American Development Bank.

[7] Lara Goldmark, 1999. "Sorting Out the Truth: The Financial Viability of Business Development Services," London: *Small Enterprise Development Journal*.

readily available, consumers are free to choose from a variety of products. Providers need to seek and satisfy consumers in order to create and maintain market share. Information about those consumers, in turn, helps providers cultivate the market. The information mechanism, whether formal or informal, should be sustainable.

EXPECTED RESULTS

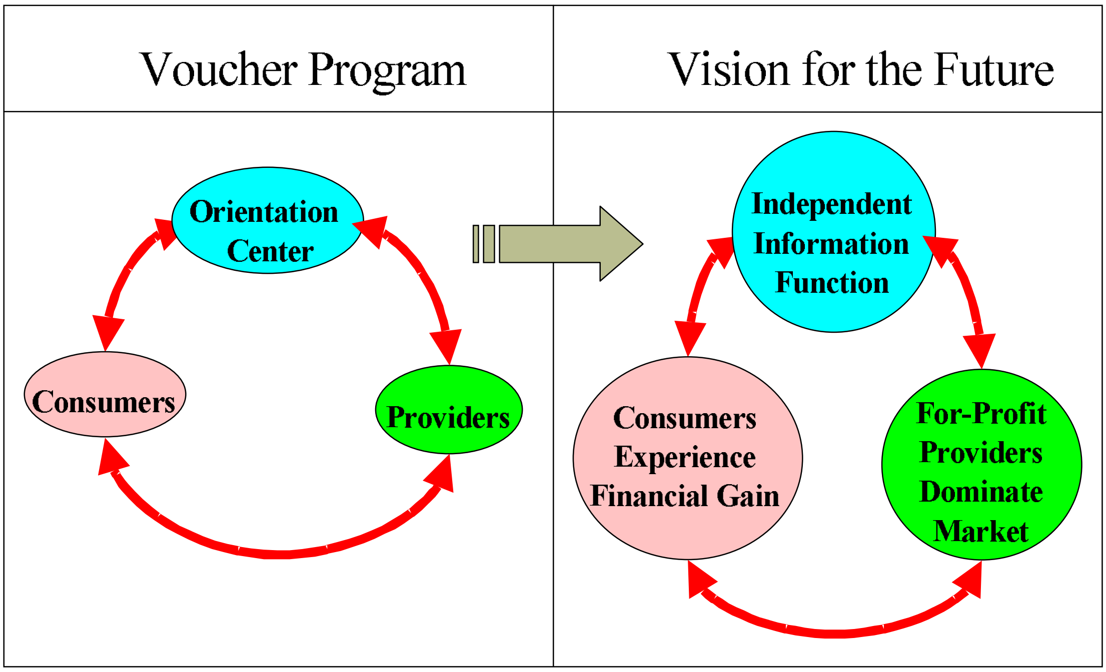
The successful implementation of a voucher scheme results in a virtuous circle of exchanges between suppliers and consumers, facilitated by a well-developed information function. There are two types of information flows:

- Information between consumers and providers through direct transactions; and

- Information on aggregate sales data and trends, such as what sells, what does not, and where the market is going, which can be provided by another (already existing) entity.

The idea is to facilitate direct communication and transactions between providers and micro-enterprises in the market, and "teach" them to look for and respond to market signals. The circle flow set into motion by the voucher incentive thus continues, through the forces of supply and demand, once the voucher is withdrawn.

THE VIRTUOUS CIRCLE IN TRAINING MARKETS



Experience has shown that successful voucher programs will cause some or most of the following changes in the marketplace:
- An increase in the awareness of, demand for, and willingness to pay for training on the part of the target group;

- Increased investment in training products aimed at this target group; and

Heightened efforts at marketing and product adaptation on the part of training suppliers.

These effects represent a learning cycle in which clients and service providers talk to each other about what products are most relevant, affordable, and effective. One important question is whether these market changes are lasting or are just a temporary result attributable to the availability of vouchers.[8]

The shift toward a market-oriented paradigm for the delivery of business development services generated interest in the voucher model as a catalyst to drive demand for training. The research synthesized here identifies many of the best practices in applying the voucher tool and the challenges that remain as the model evolves.

CHAPTER THREE
INTRODUCTION TO THE PROGRAMS

The voucher model continues to be adapted and modified. Variables such as macroeconomic conditions, public policies, cultural biases, and local market conditions make creation of a standardized, one-size-fits-all voucher design difficult. The chart and discussion below illustrate that the programs studied differ in many respects. The research from this project has served to contribute to cross-program exchanges of experiences, an invaluable exercise that is paramount to refining the voucher tool for future implementation.

Program	Budget in $US	Voucher Objective	Funding, Administration, and Target Market*
Paraguay	3,000,000	50,000	Funded by the Inter-American Development Bank Administered by Ministry of Justice and Ministry of Labor Target market: microenterprises
Córdoba, Argentina	2,650,000	20,000	Funded by the Inter-American Development Bank Administered by ADEC** Target market: small and medium-sized enterprises (with microenterprises as a secondary target)
Ecuador	2,200,000	30,000	Funded by the Inter-American Development Bank Administered by CFN*** Target market: microenterprises
Peru	1,750,000 (est.)	31,800	Funded by Fondoempleo Administered by Swisscontact and MITINCI† Target market: micro- and small enterprises
El Salvador	320,000	7,800, approx. (variable)	Funded by the Swiss Agency for Development and Cooperation Administered by Swisscontact Target market: Formal small and medium-sized enterprises in the food, chemical, and metalworking sectors
East Java, Indonesia	165,000	8,800	Funded by the World Bank, Nestlé Administered by Swisscontact Target market: micro- and potential enterprises
Cochabamba, Bolivia	300,000	8,000	Funded by the Swiss Agency for Development and Cooperation Administered by Swisscontact Target market: microenterprises in garment production
Ukraine	412,000[9]	20,000 approx.	Funded by the United States Agency for International Development Administered by Development Alternatives, Inc. Target market: micro-, small, and medium-sized enterprises (up to 50 em-

[8] Linda Fitzgerald, Lara Goldmark, and Paulo Andrade de Orozco, July 2001. "The Cochabamba Case: Can Vouchers Stimulate Sustainable Market Change?" Bethesda, Md.: Development Alternatives, Inc.

[9] Budget for voucher coupons only; does not include administrative costs and technical assistance associated with program start-up, implementation, and monitoring.

			ployees)
Kenya	200,000 est.‡	600	Funded by the World Bank Administered by the Project Coordination Office of the Ministry of Research, Technical Training and Technology Target market: microenterprises, with no less than 20 percent for women-run start-ups

*Note that the target market described here refers to the *original* target group the program intended to reach. In many cases, administrators have adapted and/or adjusted these objectives during the course of the program.
**ADEC=Agencia para el Desarrollo Económico de la Ciudad de Córdoba.
***CFN=Corporación Financiera Nacional.
†MITINCI=Ministerio de Industria, Turismo, Integracion y Negociaciones Comerciales Internacionales.
‡The program in Kenya is a pilot, part of a $12-million-dollar small-enterprise development program in progress since 1994.

No two programs are the same, though all have similar elements, and each offers lessons on best practices in voucher program conceptualization, design development, implementation, and oversight. The salient characteristics of and the challenges faced by each, as perceived by the researchers, are presented below.[10]

Program Location	Time Frame
Paraguay	1995–1996 (first phase); 1999–2002
Ecuador	1999–2003
Perú	1999–2001
East Java, Indonesia	1999–2000
Cochabamba, Bolivia	1998–2000
Córdoba, Argentina	1998–2002
El Salvador	1999–2003
Ukraine	2000-2003*
Kenya	1994–present

* Second phase (Bizpro)

PARAGUAY

The oldest voucher program of those studied, Paraguay frequently serves as the baseline design to which modifications have been made in other programs. In the early phases of this ongoing program, the information function was strong and demand was high, but political exigencies and changes in program administration have resulted in long delays in voucher redemption. Too many vouchers and an evolving public policy that may make vouchers a permanent feature in the training landscape have undermined the objective of developing sustainable supply.

ECUADOR

In its initial stages, the Ecuador program faced the challenge of encouraging a greater number of private, for-profit providers to participate. A high percentage of participating providers were nonprofit, socially oriented entities and their training activities were not profitable. The program went national in its second year and since then has experienced high voucher usage. This is attributable in part to its broad geographic reach and in part to aggressive efforts by the administrator to target market sectors and select providers for support. Some of these efforts, though resulting in high voucher use, are not market-driven and have negative implications for sustainability.

[10] For more detailed analyses, refer to the individual program case studies listed in the bibliography accompanying this report, as well as "Voucher Programs: Toward a Set of Performance Indicators" and "Step by Step: How to Set Up, Run, and Evaluate a Voucher Program," both of which are also noted in the bibliography.

PERU

The program in Peru differs from the others in that it is funded through an enterprise tax. This affects its objective, which is enhanced competitiveness of micro- and small enterprises in the manufacturing, tourism, handicrafts, and agrobusiness sectors. Employment creation is an additional objective. The program is administered jointly by an NGO and a government ministry. The program has a wide geographic reach, usage has been low, and quality has been uneven. The subsidy comes in a booklet of three vouchers for training and one for technical assistance, though administrators have found that many enterprises have not used the technical assistance voucher, probably because that service is more expensive, even with the subsidy.

EAST JAVA, INDONESIA

The program operates over a wide geographic area, one of the reasons it suffers from low voucher usage. Vouchers are sold for about 15 cents at telephone booths located conveniently all over the region. At the beginning of the program, the telephone booth operators in charge of selling the vouchers did not have any information about the program; many individuals purchased vouchers but never used them. Two types of vouchers were available: a regular voucher, for established enterprises, and a "junior" voucher, for potential enterprises. Also in the early phases of the program, the administrators imposed numerous restrictions on both users and providers, including regulations disallowing all but managerial and administrative courses for microenterprises, though start-up users could take technical courses. Usage was much higher for this latter group. The program had a model system for auditing users through systematic interviews. The issue that arose in the program was the tradeoff between convenient distribution over a wide area and a lack of information and orientation.

COCHABAMBA, BOLIVIA

A small program targeting microenterprises in the garment-production industry, Cochabamba was the only program studied in which researchers had the opportunity to study the training market once the program ended. Voucher usage was high throughout the program, but a narrow focus and highly regulated provider participation prevented wide implications for training market development. Participation was restricted to private providers, course prices were implicitly fixed, and none other than technical courses was authorized. Nonetheless, within this narrow field modifications to the products and delivery of services were evident, and providers were able to attract microenterprises to their courses even as the voucher value was regularly lowered. The program was designed with a clear exit strategy of programmed decreases in voucher value.

CÓRDOBA, ARGENTINA

Macroeconomic and political upheavals have seriously affected the Córdoba program. Voucher use, though increasing at an accelerated pace between research visits, is below objectives. Originally designed to improve the competitiveness of small and medium-sized enterprises engaged in Mercosur[11] markets, the program was opened up to microenterprises when administrators realized that demand in the original target group was very weak. At issue is

[11] Mercosur is the Southern Cone Common Market of South America, formed in 1991. It comprises Argentina, Bolivia, Brazil, Chile, Paraguay, and Uruguay.

whether the program designed for microenterprises also works for small and medium-sized firms.

El Salvador

The El Salvador voucher program is one component of a sector-based business development scheme. Segments targeted are small and medium-sized enterprises in the food, metal mechanics, and chemical industries. The primary objective of the program is to increase the competitiveness of these enterprises. Vouchers cover a variable percentage of course prices, and the subsidy decreases over time. Providers distribute the vouchers.

Ukraine

The Ukraine voucher program is currently being implemented as a demand-side tool within a larger market development framework to develop the business services industry in Ukraine. Eight voucher programs lasting approximately nine to 12 months each will be implemented over a three-year period throughout the country. Three tiers of vouchers will be issued based on a declining subsidy. The vouchers are intended for commercial business services; however, two pilot programs will also test the viability of vouchers for consulting. Through an electronic voucher information system, consumer trends and market information will be captured in real time and pushed back to providers. Such data will also inform supply-side interventions that will build the capacity of business service providers through human resources and product development.

Kenya

This voucher program is one component of a multimillion-dollar program to support small enterprises that has been in operation since 1994. It differs somewhat from the models above in that users buy a voucher for 10 percent of the predetermined value of a course, then use the voucher for course payment. Providers have the option to charge more than the predetermined value if the consumer is willing to pay the difference. Voucher use in Kenya has been high, but the quality of the training has come into question. The lack of an audit or supervisory function, the failure to verify the credentials of providers who sign up to participate in the program, slow administrative procedures that delay voucher redemption, and the high value of the vouchers have led to concerns about fraud and excessive market distortion.[12]

[12] Arvil V. Adams, June 2001. "Assessment of the Jua Kali Pilot Voucher Program," Washington, D.C.: World Bank.

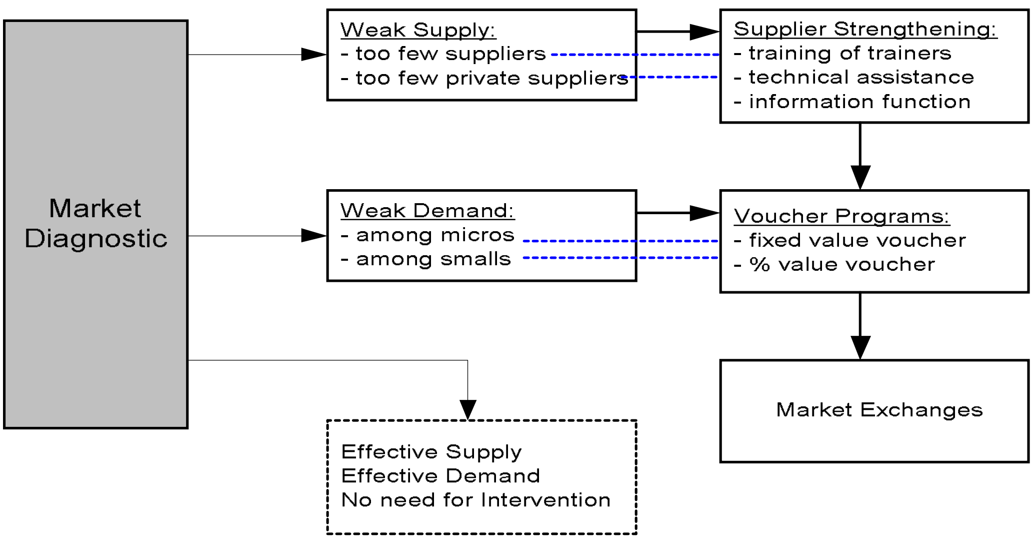
CHAPTER FOUR
OUTREACH

In donor terms, outreach refers to the scale of an intervention. In a world of scarce resources, it is understandable that donors want to see the programs they fund reach as large a number of their intended beneficiaries as possible. This includes both wide swaths of targeted populations (scope) and participation of disenfranchised groups such as the very poor, women, or minorities (depth). For purposes of this analysis, outreach refers to the extent to which the targeted population is reached, but takes a step back and includes in the measure of success the extent to which the target market objectives are appropriate and well-dimensioned.

MARKET DIAGNOSIS

Too many voucher programs have been designed without an adequate understanding of the needs of the markets they address. Needs assessments have always been done, and have in the past identified areas for supply-led training provision. The issue for a demand-side program is to determine what the needs assessment reveals about the market that will help practitioners design a program that will stimulate weak or latent demand.

Lessons from the Market Diagnostic



Consumption of training by microenterprises is suboptimal in most developing countries. Donors and practitioners agree that demand is present whenever small enterprises recognize they have a problem in improving their businesses and are willing to pay to correct the problem.[13] Frequently, however, that demand is unspecific, or is already being met through informal services or services embedded in other transactions such as capital purchases. Recent thinking on the delivery of training and other BDS recognizes that these channels exist in most markets and are important means of passing along knowledge. However, they frequently fail to

[13] Fields, et al., November 2000.

achieve the outreach or depth necessary to represent a dynamic and responsive training market.
Voucher programs aim to overcome the obstacles that lead to suboptimal levels of market exchanges. Once demand has been identified as weak, a program can be designed with specific segments in mind and specific market development goals. Practitioners should be aware, however, that other variables exist that a market diagnostic must characterize, such as government, the donor environment, the finance and banking sector, and culture. If the market is not conducive to stimulating the commercial market for business development services, and donor or government policies are causing severe distortions, a voucher intervention would be ineffectual at best.

A market diagnostic prior to the design and implementation of a program shows not just how many microenterprises are operating in the market, but what their characteristics are, their previous experience with training, and what they perceive their business development needs to be. The wrong diagnosis of the strength or extent of demand can lead to unrealistic objectives,[14] resulting in either slow distribution of vouchers or excess demand and the need for rationing. In addition, wherever the target market has been misdiagnosed, the potential for fraud increases as non–target-group consumers who are seeking vouchers find ways to circumvent program regulations.

The market analysis also tells practitioners what the market looked like before the intervention, which serves as a benchmark for gauging the effectiveness of the program over time.

TARGET MARKET

It is not sufficient for a program to target "small enterprises" or "micro- and small enterprises" because there are distinctions within these categorizations that warrant different tools and/or different approaches to administration. The designation "microenterprise," for the purposes of this paper, refers to an enterprise of up to five people who are possibly unpaid family members. The business is perhaps informal and its growth possibilities may be limited. Informal microenterprises are by nature difficult to filter. Many programs have accepted receipts for materials or signed contracts for services as proof of business operations.

A "small enterprise" can have as many as 20 wage earners, is often formal, and is more likely than a microenterprise to expand to another category of enterprise. In most of the countries studied, the voucher program is based on the design originated in Paraguay to target microenterprises. The programs that have indeed targeted microenterprises with this model have tended to have high voucher usage. Those that have targeted small and even medium-sized enterprises have not done as well in meeting their objectives, and many subsequently have allowed the participation of potential enterprises and microenterprises.

[14] Ibid.

Program	Voucher Markets Served					
	Target					
	Medium	Small	Micro	Self Employed	New	Unemployed
El Salvador						
Argentina						
Indonesia						
Ecuador						
Peru						
Bolivia						
Paraguay						

The surprising finding in the research is that demand, while generally strong in the original target segment of microenterprises, is strongest among potential microenterprises and the unemployed. Designers aim to target established microenterprises because it is generally accepted by development specialists that they are more likely to contribute to positive economic growth and employment generation than are potential microenterprises and the unemployed. While this is a valid criterion, administrators are often then faced with disbursement pressures from donors and pressures from consumers to allow the participation of enterprises farther down the viability scale. For this reason, program designers need to determine whether their objective is the transfer of resources or economic growth. A single program design would have difficulty concurrently addressing the needs of all enterprises without sacrificing one or another of its objectives. The original model launched in Paraguay targeted mostly formal and informal microenterprises; however, the program's administrators soon realized that demand was also strong among the unemployed and young people seeking their first jobs. The typical users in this "traditional" type of program:

- Have some skills, but could benefit from short courses to develop new products, learn to produce more efficiently, or cut costs;
- Work in sectors characterized by changing products, such as food preparation, beauty services and hairdressing, and handicrafts;
- Need managerial or administrative training, such as accounting; and
- Are avidly seeking the skills to start a small business.

This is a segment of the population that, during difficult economic conditions, seeks additional training to combat decreasing business activity. Though recession dampens optimism and curtails investment by owners of large enterprises, the pool of micro- and potential enterprises grows as a result of layoffs in larger firms. Voucher programs implemented at times of economic hardship often experience high demand, especially if the target market is microenterprises. Three of the programs studied (Argentina, Ecuador, and Bolivia) experienced acute economic downturns during the implementation of their voucher programs. Of these three, only the program that targeted small and medium-sized enterprises—Argentina—failed to achieve a high level of voucher usage.

DIMENSIONING DEMAND

Dimensioning demand has been one of the greatest challenges for voucher designers. Research reveals that different population segments respond differently to the voucher subsidy, as shown in the chart below.

Level of Demand by Segment

Target Consumers	Level of Demand	Comments
Potential microenterprises	Extremely high	Designers frequently exclude this segment because it is not perceived as likely to contribute to economic growth or employment. Focus is on vocational skills.
Established micro-enterprises	Moderate to high	Traditional target. Strong interest in practical courses and basic business skills.
Small and medium-sized enterprises	Moderate to low	Need sophisticated business services, customized courses, and subsequently higher voucher values. Need to market program to employers, but employers often are reluctant to contribute to skills that an employee can transfer elsewhere.
Other demographic subcategories: women, the unemployed, isolated geographic areas	Variable	Vouchers can be used to target specific groups or regions, but the vouchers must be customized. Existence of sufficient supply is critical. Promotion must also be customized.

Other factors contribute to the level of voucher use, and programs such as the one in Indonesia, which included potential enterprises, can have very low levels of usage. However, the evidence suggests that demand is high, and outreach more likely, when the voucher is directed at the smallest enterprises.

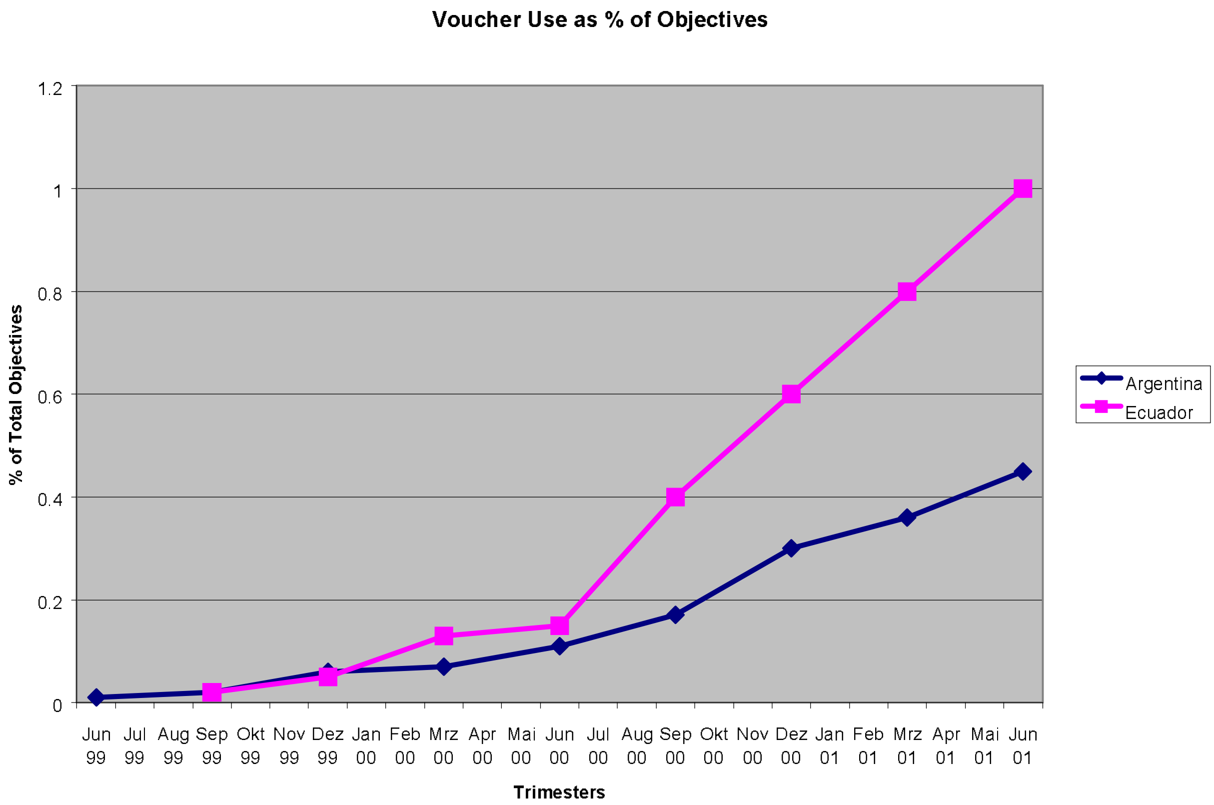
The goals of income distribution and poverty alleviation are often achieved when interventions target micro- and potential enterprises, whereas the goals of income generation and employment are more likely to be reached when small enterprises are the target market. In either case, market development can be achieved.

The following table shows the target markets for several of the programs studied, along with the percentage of vouchers used, prorated for the life of the program, at the time of the research visit. In Indonesia, several things conspired to result in low usage: the program had a wide geographic reach over a rural area with few providers, there was no information function, and supply was limited by program regulation. The program in Peru also suffers from the geographic spread into sparsely populated areas, and also is a narrow program, allowing the participation of only those enterprises that fall under the purview of the Ministry of Industry and Tourism.

Target Markets of Programs Visited

Program	Target Market	Objectives at First Visit	Objectives at Second Visit
Paraguay	M, P	N/A	N/A
Ecuador	M	50%	100%
Peru	M, S	20%	N/A
Indonesia	M, P	13%	N/A
Argentina	S, Me	10%	44%
Bolivia	M, P	100%	100%

M = micro, P = potential, S = small, Me = medium-sized



Usage can be expected to rise over the course of the program as familiarity with the voucher grows in the market and as administrators learn how to increase awareness among users and suppliers. Not all programs studied here regularly compile cumulative voucher use figures, but by graphing the figures for Argentina and Ecuador, a picture emerges of slow initial use, followed by an accelerated increase as promotional efforts by administrators and word of mouth increase awareness of the subsidy. (These data cover the first two-thirds of the Argentina and Ecuador programs.) In the narrower, more controlled programs, such as Bolivia and El Salvador, voucher use has been high from the outset.

Of some concern to designers is determining what, if any, the maximum number of vouchers available for each microenterprise should be. Though most programs set a limit of four to six, an argument could be made that, in conjunction with market priming activities, supplier strengthening, and a strong information function, fewer vouchers per person available to more consumers in the target segment would do more to stimulate markets. In several programs, notably Bolivia and Ecuador, many providers have learned to modularize their traditional courses and sell them as series of four or six modules (depending on the maximum allowable number of vouchers), each one of which is eligible for a voucher. This has done little to further outreach.

Note: Points between June 2000 and June 2001 for Ecuador are estimates.

MEASURING OUTREACH

Several indicators for measuring demand have been developed, based on the performance measurement framework[15] proposed by the Committee of Donor Agencies for Small Enterprise Development. These indicators show the level of voucher use and the program penetration. The strongest indicators are as follows:

Number of vouchers disbursed. As has been mentioned, the absolute number of vouchers used needs to be qualified based on distribution methods and other design and administrative issues. However, it is a basic indicator of demand among the target population segment. If demand is strongest in other segments, this too informs the measurement of outreach.

Repeat use. Most programs allow for a maximum of four to six vouchers per enterprise.[16] A high percentage of consumers using more than one voucher and up to the maximum serves as an indication of benefits accrued through training.

Average co-payment. In a well-designed program, the voucher value falls over time, leading to higher co-payments. Consumer willingness to pay is an important indicator of demand development resulting from benefits experienced as a result of training.

Especially in the event of little or no data on the financial return to the small enterprise on the training investment, these indicators serve as a proxy to show that the training provides positive value.

In many programs studied, the rate of repeat use is not calculated. Even when it is, it must be analyzed in conjunction with the amount of the co-payment. Because of irregular supervision in some of the programs, providers at times do not charge the co-payment. In this circumstance, the rate of repeat use cannot be judged a proxy for course satisfaction and benefit derived from the training.

CONCLUSIONS

Field research has taught several important lessons about outreach objectives in voucher programs:

The highest demand for vouchers occurs among potential enterprises and microenterprises. This is even more true during difficult economic conditions. During financial contractions, small enterprises tend to postpone training for their employees, whereas potential microenterprises see training as an avenue for improved financial prospects.

If the program goal is to stimulate demand for training among small and medium-sized enterprises, or improve competitiveness in regional or export industries, the “traditional” voucher model is inadequate. Small and medium-sized enterprises demand industry-specific services and tailored courses. Modifications to the model might include a supply-side component and other services available as part of the business development package.

[15] Mary McVay, September 1999. “Performance Measurement for Business Development Services to Micro and Small Enterprises: A Revised Framework and Guide to the Preparation of Case Studies.”
[16] The benefits of lowering this number will be discussed in the next chapter.

The fewer the filters and restrictions on participation the greater the potential for meeting disbursement objectives, but the greater the potential for abuse of the program.

CHAPTER FIVE
MARKET DEVELOPMENT

Market development in this context refers to changes in the structure of the market. To determine these changes, program administrators must first understand market structure, such as who the dominant players are and how transactions take place, as well as the specific responses on the part of supply and demand to program incentives, and their participation in dynamic processes.

To paraphrase a well-known phrase from the microfinance field, "Market development is tomorrow's impact."[17] Although a program may not distribute vouchers to a large number of enterprises, if through successful management of the information component and supplier-strengthening activities the new product development and adaptation process is catalyzed, and suppliers become convinced that microenterprises are worthwhile clients, the number of enterprises that will benefit from this intervention in the long term could increase substantially.

The *degree* to which these dynamic processes occur is important in voucher programs. If one thinks of sustainability as continued market development beyond the life of the voucher subsidy, then this continued development will be a function of the development that occurred during the program. The virtuous circle, described in Chapter Two, and the learning that accompanies the events in the circle contain the steps that make up the market development process and later represent sustainability of the program's market development effects. The steps of the market development process could be characterized as (1) awareness, (2) learning, (3) practice, and (4) repetition. Sustainability would be characterized as (5), as the circle is pushed outward in continued repetition of the same steps without the stimulus of the voucher. In this chapter, the elements that contribute to steps 1 through 4 are analyzed, including a discussion of the options for calculating voucher value with the goal of minimizing distortion; provider business strategies and how they affect program success; and the role of supplier strengthening.

VOUCHER VALUE

A critical and delicate process is valuing the voucher. The value is calculated based on provider costs, market prices, and available program funds. It will reflect the target market (for example, microenterprises or small enterprises), program goals (transfer of wealth to the neediest population segment versus improved competitiveness of export industries), and market realities.

Designers have a choice between a fixed price for the voucher or a percentage. Both options have their benefits and drawbacks, as shown below:

[17] Originally stated as, "Sustainability is tomorrow's impact," Claudio Gonzalez-Vega of Ohio State University, Development Finance Listserv.

	Fixed	Percentage
Pros	• Benefits low-income users; • Simple to administer.	• Market distortion minimized; • Subsidy limit negotiable through caps.
Cons	• Need to set a minimum price; • Course price movement due to program; • Market migration toward cheaper courses.	• Helps those seeking higher-priced courses disproportionately; • Quantity of funds for voucher use is unknown; • Providers can artificially inflate cost of product or course offering to capture more subsidy.

The voucher subsidy, especially if it remains in the market for extended periods, will cause some distortions in the price of training. Setting the voucher value too high will cause upward pressure on existing course prices. If providers use the windfall to invest in additional course development or training materials, the benefits of the market distortion may outweigh the negatives. Even with a percentage valuation, suppliers will adjust their prices to reflect the presence of the subsidy, though the co-payment requirements are much clearer and collection of the co-payment becomes the imperative of the suppliers.

Setting the voucher value too low will fail to motivate consumers. The voucher value should be a percentage of the mean market rate for courses and should be adjusted downward over time to acclimate the market to the eventual disappearance of the subsidy. One of the benefits of incorporating into the program a gradual reduction in voucher value is that if the voucher has been overvalued, administrators are prepared for an adjustment.

PROVIDER BUSINESS STRATEGIES

An important avenue for understanding supply and how it has been altered by the intervention is analyzing the business strategies of existing suppliers, including those who do not use vouchers. In the case studies, researchers used a simple matrix meant to give a conceptual impression of the supply market. In the matrix, or typology, providers were categorized as follows:

- Innovators—those suppliers whose products are leading-edge;
- Convenience providers—providers that are risk-averse diversifiers that take a passive approach to business development;
- Social mission providers—suppliers that receive outside funding and provide training at a loss, as a benefit to their constituencies; and
- Mass marketers—suppliers that are adept at filling classes and have learned to modify or recycle products continually to keep product turnover high.

The typology proves useful for an overview of market characteristics; when it is filled in, it may illustrate, for example, that a market is suffering from a preponderance of social mission providers who do not operate with a profit motive and therefore do little to further the goals of sustainability. Reality is more complex, however, than this simple typology illustrates, as few providers fall neatly into the four broad matrix categories.

The more administrators know about the market, the better they will be able to address shortcomings and build on strengths. The following table could be used for a deeper analysis. For purposes of illustration, the previous four categories are used here to demonstrate "typical" providers. Depending on program goals, certain columns can be highlighted to denote desirable business strategies. For instance, a program that targets microenterprises in agricultural/techno-production sectors might prefer to see a critical mass of providers offering "copycat" courses, which in this context would mean basic, technical courses, to a wide group of low-income consumers. Conversely, a program that targets small enterprises in a growing export sector would want a market with a selection of providers offering innovative courses to a select group of high-income customers in that sector.

Supplier Typology

Provider	Product Innovation*		Motivation		Marketing Strategy		Customer Income	
	Innov.	Copycat	Profit	Mission	Mass	Niche	High	Low
Innovator	X		X			X	X	
Convenience		X	X		X	X		X
Social mission	X	X		X		X		X
Mass mar-		X	X		X			X

*Can include innovative means of delivering a product; for example, by investing in portable machines to teach technical courses to clients without access to the traditional course, or designing in-company training through business-to-business agreements.

Social mission providers often fill a critical gap in the training market, offering specialized courses to members of trade associations, for example, or legal advice to disenfranchised populations. Because they have a well-defined client base whose needs they understand well, socially driven providers can be innovators in their fields as well. Most often, however, they offer low-priced courses to their constituencies and do not invest either in course development or materials, as they do not consider training their primary function. The consensus among development practitioners is that providers with a profit motive are the ones that will respond to the voucher intervention and, subsequently, to the newly articulated demands of the market.

The market diagnostic conducted prior to program design informs practitioners about the structure of supply. In many emerging economies, the role of training provider is filled by large, state-funded institutes that offer a range of vocational courses. These courses are usually long-term and aimed at young people preparing themselves for a trade or for employment in local industry. Often, the large institutes are the only entities offering technical training. Other providers might include NGOs and trade associations. Most markets have scarce supplies of private providers whose primary business activity is training.

Interventions are called for when supply exists but is inadequate, in its present form, for microenterprises. The form of the interventions will be dictated by the market alterations needed to accommodate microenterprise needs. For instance, a market with a preponderance of social mission providers does not have good prospects for continued, sustainable delivery of training in the absence of the subsidy, unless the program devises means to encourage profit-oriented providers to introduce new courses, or can encourage social mission providers to adopt a more profit-oriented business strategy.

Administrators can "type" suppliers at regular intervals throughout the program to determine whether they have shifted. The typology should include all providers in the market, not just those redeeming vouchers. In a dynamic market, even nonparticipating suppliers will probably be affected by the increased interest in certain products and demand segments. Usually, these other suppliers will do one of two things: (1) show interest in this new market niche, with the end result of either joining the program or targeting microenterprises without the voucher subsidy; or (2) decide to retreat from the activity and specialize in another niche. Although this second decision could be viewed as a "crowding out" effect, it may be appropriate when the supplier in question is an NGO or a state-funded institution that feels the microenterprise segment is being adequately served by private providers and therefore chooses to focus on other target groups in carrying out its social mission. This second reaction occurred in Bolivia with INFOCAL, the state training institution. At a minimum, other suppliers' awareness of the microenterprise segment will increase, even if there is no discernible reaction to the voucher program.

Many program designers and practitioners interested in implementing voucher programs express concern over how to control quality. To this end, voucher programs include minimum standards for provider participation, such as a minimum number of years in training, access to adequate facilities, and complete course descriptions, before a course is approved. In addition, audits, interviews, and consumer questionnaires are possible tools to use to catch and censure providers failing to meet minimum levels of quality. However, the researchers who studied the programs discussed in this paper believe that the most important filter is consumer empowerment in the form of the voucher. With adequate information, consumers should be able to choose between providers, and select the one that meets their needs. Providers either offer training of value or lose market share.

The typology shows a snapshot of the composition of the training market. Meanwhile, certain performance measures show participating suppliers' responses to the voucher program. A useful indicator is subsidy dependence, which measures how much of a supplier's income is derived from the vouchers. Some suppliers can be expected to depend highly on the subsidy, because their predominant business activity is training and they have become adept at marketing to voucher holders. Those suppliers that offer leading-edge courses that are usually higher-end than courses taken by microenterprises, and those that engage in additional business activities other than training, usually experience much lower subsidy dependence.

The researchers calculated three dependence levels:

- Product dependence—determined by the percentage of income from voucher-eligible courses derived from vouchers;
- Training dependence—determined by the percentage of total training income derived from vouchers; and
- Institutional dependence—determined by the percentage of an institute's total income derived from vouchers.

There is no rule for an ideal level of supplier dependence, because low dependence could indicate either an undynamic program or healthy diversification. However, administrators should expect dependence to differ between types of providers and to change over the life of the program. They should also beware of extremes (under 5 percent or over 75 percent). The relationship between training dependence and institutional dependence will reflect the nature of the providers' business strategies.

Administrators expect and want training dependence levels to rise during the progression of the program, especially in the early stages. This shows that consumers and suppliers are participating and responding to the incentive. Usage, and hence dependence, may even surge as vouchers are about to be phased out. The issue is whether institutional dependence is so high as to indicate an unsustainable post-voucher situation.

In a short, pilot voucher test, in which vouchers play the role of demand catalyst and market development is addressed through other interventions, dependence indicators would not need to be calculated.

SUPPLEMENTARY ACTIVITIES

Most of the voucher programs studied include some supplier-strengthening activities designed to improve either providers' marketing and management skills or their technical skills:

- Argentina—Administrators put together a series of courses for training providers that deal with cost management, target market identification, and marketing.
- Bolivia—Providers were offered courses and taken on field trips to neighboring countries to learn sewing techniques and machine maintenance.
- Ecuador—Administrators have contracted market-sector studies that identify specific training needs and have worked with providers to develop courses to meet them.
- Paraguay—Administrators have instituted a mandatory pedagogy course for all providers.

With the exception of the obligatory course in Paraguay, these supplier-strengthening activities have been well-received in all the programs studied. Providers have been willing to pay for the activities and have expressed a desire for additional activities. In some cases, (notably Bolivia) the supplier-strengthening courses have showed an immediate result in the form of new products developed with the knowledge gained in these courses. It bears mentioning that many private providers operating in the microenterprise segment are themselves small enterprises and benefit from skills development and technical assistance for niche identification, pedagogical improvements, and managerial training.

Training-of-trainer activities are natural complements to a voucher program. Administrators in some programs have worked with groups of microenterprises and select training providers to facilitate course development. The programs in El Salvador and Ukraine consider supply-side interventions their primary focus and use vouchers strategically in coordination with business center development, technical assistance, and internships.

All the programs studied have underestimated the importance of the information function and its role in market development. The original concept for voucher programs emphasized the importance of ready access to information to better align supply and demand. In the absence of mutual awareness, providers will continue to suspect the viability of the market for training among microenterprises and microenterprises will continue to question the existence of training that meets their needs. The International Labour Organization (ILO) has developed an approach through its FIT program for developing commercial information outlets that benefit small enterprises.[18] This is one approach that should be investigated as a potential component of voucher program design.

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[18] For more information on FIT, see the ILO Web site at www.ilo.org/seed.

MEASURING MARKET DEVELOPMENT

Several performance indicators measure the depth of market development through the voucher intervention. These indicators refer to both overall market development and the successful operation of the voucher program. Positive performance signs include:

Increasing numbers of providers, both those active in the voucher program and others offering training to microenterprises.

Increased provider revenues.

Increased number and variety of courses being offered to microenterprises.

Number of consumers returning to purchase nonvoucher courses. A sign of the potential for sustainability, consumers paying the full amount for training indicates demand development.[19]

It is difficult to compare the number of active providers across programs because of the lack of a standard for measuring activity. In some programs—Bolivia and El Salvador, for instance—inactive providers are dropped from the program, leading to high activity indicators. In others—for example, Argentina—administrators actively seek the registration of a wide variety of providers, many of whom are not prepared for addressing the microenterprise market. Levels of active participation are, subsequently, quite low. However, the approach in Argentina may be the better one; administrators there continually meet with inactive or marginally active providers to help them develop the kinds of courses the program aims to stimulate. Through the program and through the one-on-one efforts of the administrators, information about demand is shared, albeit slowly, which leads to some entities cultivating a market they previously had not considered viable.

Supplier growth is a good proxy for overall market development because it indicates the profitable delivery of service and sufficient demand to generate new entrants to the market. Increased revenues for providers lead to profits for investment. Research has concentrated on analyzing supply for these reasons. Examination and evaluation of the effect of training on microenterprise growth is also advisable, however, and a methodology for measuring microenterprise performance before, during, and after a voucher intervention should be the next step for practitioners to gain a more complete understanding of this tool.

The number of consumers returning for nonsubsidized courses is a particularly strong sustainability indicator because it demonstrates increased demand and willingness to pay. Unfortunately, this indicator is not usually calculated and in fact is difficult to collect data for, as it would be incumbent on the training providers to compile the information and they have little incentive to do so.

[19] See the complete list of performance indicators in Michael Derham, Linda Fitzgerald, and Lara Goldmark, September 2001. "Voucher Programs: Toward a Set of Performance Indicators," Bethesda, Maryland: Development Alternatives, Inc.

Conclusions

- Voucher value should be fixed when the program objective is to stimulate access to training, especially for lower-priced courses for the smallest enterprises.
- Voucher value should be a percentage of course price when the program objective is market development and/or increased competitiveness of regional and export firms.
- A critical mass of private suppliers is necessary for both a dynamic program and long-term market sustainability in the absence of the voucher. Through the learning that results from mutual awareness, and motivated by profit, private providers respond to consumers with courses of immediate benefit. Large state institutions burdened with bureaucratic procedures are rarely agile enough to react to a changing market. Social mission providers have little incentive to seek demand-side revenues and the corresponding high volume of consumers as long as their funding is procured from outside sources.
- Some level of product and training dependence on the voucher subsidy is expected and, especially in the latter stages of the program, can demonstrate appropriate involvement and the opportunity for learning. However, institutional dependence should be lower, to indicate sufficient diversification to withstand the withdrawal of the subsidy.
- Supplier strengthening is a necessary and important component of a voucher program. In some cases, this may be the primary focus, and the voucher is the supplementary component.
- The information function can and should be cultivated during the course of the program as a commercially sustainable operation.

CHAPTER SIX
COST-EFFECTIVENESS

Cost-effectiveness in this analysis refers to the efficient administration of the program in its goal to reach the maximum number of microenterprises possible and to influence the market. The smaller the program the greater the portion of the budget spent on administration, though this does not mean that larger programs are inherently more cost-effective. Cost-effectiveness is best measured by the program's success in reaching its objectives in terms of outreach and market development.

The programs studied can be divided into three groups based on their salient characteristics. These characteristics are outlined below, though some programs differ in the details. The programs that fall clearly into one of these groups are indicated in parentheses.

VOUCHER PROGRAM DESIGN VARIATIONS

Issue	Traditional Microenterprise (Paraguay, Ecuador)	Narrow Microenterprise (Indonesia, Bolivia)	Bundled (Ukraine, El Salvador)
Theoretical under-pinning	Information asymmetry and risk aversion result in underconsumption and less than optimal supply of training	Information asymmetry and risk aversion result in underconsumption and less than optimal supply of training	Information asymmetry and risk aversion result in underconsumption and less than optimal supply of training
Target population	Formal and informal microenterprises, their employees, autonomous workers, potential microenterprises	Formal and informal microenterprises (also potential enterprises in Indonesia)	Small and medium-sized enterprises (also microenterprises in Ukraine)
Objective	Delivery of training to underserved populations, development of market for training	Delivery of training to underserved populations, development of market for training	Improved competitiveness
Principal tools for reaching objectives	Voucher, information service	Voucher	Wide variety of services, including market diagnostics, network-building, and vouchers
Preprogram market studies	Limited	Limited	In-depth diagnostic
Voucher distribution	Executed by administrator; usually includes orientation for users	Executed by third party or providers; limited orientation	Providers or trade associations; local NGOs/associations in Ukraine
Value of voucher	Fixed	Fixed or percentage	Fixed or percentage
Controls	Minimum attendance, course audits, very few post-course audits	Interviews with users, limited use of audits	Audits and spot checks, course sign-in sheets, provider memoranda of understanding, questionnaires to screen participants
Sectors	Not restricted	Restricted to one or several, or authorized courses restricted to specific subjects	Not restricted, but course offering can be limited
Coordination with other programs	Generally none	None	Coordination with other project-related supply-side interventions

Given these different approaches to implementing voucher programs, one can imagine that overhead ratios would vary even if one were to control for market differences such as gross domestic product and geographical factors. In addition, the overall size of an intervention (which may or may not be related to market size but frequently is related to the approach chosen) is a key variable.

Frequently, donors have expressed interest in knowing the “cost per voucher”; that is, for each voucher distributed, used, and redeemed, how much money does the program administration spend? In the first phase of the Paraguayan program (1995–1996), this ratio was reported to be 15 percent.[20] The next program to be financed by the Inter-American Development Bank (IDB), in Ecuador, was budgeted to allow 30 percent of the voucher value to finance supervision and other activities related to the management of the program. When this ratio was criticized, a deeper analysis of the Paraguayan case showed that the 15-percent ratio had been achieved without counting significant in-kind resources such as free office space, government staff, and consulting fees allocated to but not paid for by the program.[21] Both of these programs now appear to have low ratios when one analyzes the data presented below; in com-

[20] Goldmark, Berte, Sira and Campos, Sergio 1997. “Preliminary Survey Results on Business Development Services for Microenterprise,” Washington, D.C.: Inter-American Development Bank.

[21] GAMA, the designer of the Paraguayan voucher pilot, perceived the potential for this innovation to spread throughout Latin America, and contributed resources in excess of those that were reimbursed through this particular IDB-funded project.

parison, the projected cost per voucher in Peru, Argentina, El Salvador, and Bolivia ranges from 25 percent to 120 percent.

As will be argued below, however, a pure overhead ratio leaves much to be desired as a measure of the cost-effectiveness of a voucher program. Programs opting for the bundled design tend to spend more on activities not directly related to voucher distribution and redemption, but that form an important part of the market development strategy. In addition, lessons learned have shown that even the traditional and narrow microenterprise models benefit from investing greater resources in key functions such as external audits, well-developed information and promotion components, and an active management strategy that allows for continuous adaptation of policies and procedures throughout the life of the program.

THE BASIC COST COMPONENTS OF VOUCHER PROGRAMS

Table X below breaks down the total administrative costs of four programs into six cost categories that represent a logical set of activities that are found in most voucher programs. In some cases, these categories correspond to the ones used by program administrators; in others, a reclassification of the budget information was necessary to be able to compare budget information across programs. It is important to highlight that the information below refers to projected expenditures rather than actual expenditures[22]. Although an exact breakdown of actual expenditures by category was not calculated, the analysis includes relevant comments about cases in which one or another of the programs has significantly under- or overspent in certain categories.

Beginning from the bottom of the bar graph and moving upward, the cost categories used are as follows:

- **Vouchers,** or total resources available to finance the redemption of vouchers by suppliers (the “gold” that backs the face value of the voucher);

- **Information,** which includes two elements:

  (a) resources allocated to promotion—essentially, general publicity, recruiting of suppliers, and joint marketing efforts; and

  (b) resources allocated to front-office tasks associated with voucher distribution, such as paying staff who inform consumers of their options, managing a database of information about voucher users and training products on the market, and printing and distributing vouchers.

- **Supervision** encompasses the back-office functions associated with a voucher program, such as redeeming vouchers, managing supplier-strengthening activities, and developing, enforcing, and adjusting policies and regulations. Also included in this category are external audits in which, through spot checks, surprise visits, and telephone and in-person interviews with suppliers and consumers, compliance with program regulations is confirmed and fraud is identified. The results of the audits are then conveyed to the back office. Even

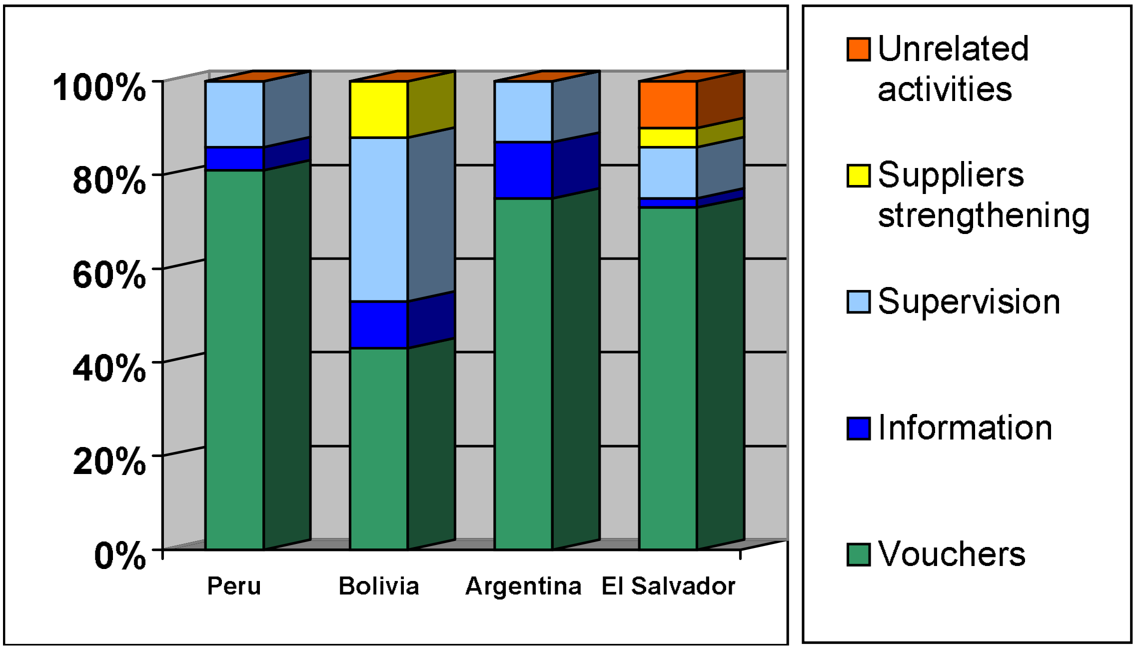
[22] In cases where information on actual expenditures was provided, it should be noted that any significant differences between projected and actual expenditures were due to voucher usage levels. When programs had high voucher usage (for example, Bolivia) variations for planned activities like supervision and supplier strengthening tended to be minor.

when the audit function has not been outsourced, it may be included in the supervision category.

- **Supplier strengthening** includes the direct costs associated with providing suppliers with technical assistance, training-of-trainer courses, or exchange visits. Note that in many programs, suppliers also contribute to the costs of these activities; the budget line item here refers only to the program contribution.

- **Unrelated activities.** This category refers to activities that are implemented in conjunction with, but are not directly related to, the voucher program. These include activities such as market and enterprise diagnostics, subsector studies and training, and network-building activities. When calculating the cost per voucher, unrelated activities should not be considered.

COST COMPONENETS OF FOUR VOUCHER PROGRAMS



Footnotes to Table X: *Unless otherwise noted, the data include both cash and in-kind counterpart resources used. For example, if the IDB provides US$1 million in funding and a local agency provides US$500,000 in counterpart funding through items such as staff salaries and office space, the entire US$1.5 million is taken into consideration.

**Fixed costs associated with running the program, such as rent and electricity, are specifically allocated to either back-office or front-office activities.

TRENDS OBSERVED IN THE COST DATA

It must be noted that the four voucher program budgets compared in Table X range in absolute value from US$360,000 (Bolivia, inclusive of local counterpart funds) to US$2.6 million (Argentina). If the bar graph had been constructed using absolute values instead of percentages, it would not be possible to compare the four programs on the same scale. The proportional representation allows a discussion of the relative importance of each component across the four programs.

Both the Peru and Argentina programs were designed using the traditional micro- or small-enterprise model [deleted passage here]. It is [deleted word here] worth noting that Argentina's low voucher usage means that actual expenditures on vouchers are even lower than those shown in the budget table, while actual supervision costs are equal to those projected. Peru appears to be more efficient, which is especially notable when one considers that the program is nationwide and incurs heavy operating costs due to geographic challenges. Peru has the lowest cost-per-voucher ratio of the group (although for actual figures, the cost ratio should be adjusted upward if one remembers that Peru voucher usage has remained below 50 percent since the program's inception), and has achieved this while implementing a fairly robust and complete information and supervision system.[23]

Bolivia, on the other hand, shows high administrative costs for a program that operated a very minimalist information service (through a partnership with a local university), which was discontinued halfway through the program. Bolivia's heavy overhead burden was due in part to the small size of the program, which was designed following the narrow microenterprise model. Given the magnitude of the supervision costs required to administer a voucher program, one could infer that the minimum size for a program would approximate US$500,000.

El Salvador, a bundled program, would be expected to have a very high cost per voucher (although the chart shows this was not the case), and because El Salvador's voucher usage was 100 percent, actual figures would be similar. However, in this case, it is important to note that the program administration saved on costs by having suppliers distribute the vouchers—not a recommended solution.

Although costs savings are indeed significant when distribution is handed off to suppliers, using suppliers in this way forgoes the important objective of educating and informing consumers about the options available. It could also lead to a high incidence of fraud.
Fraud will usually occur to some extent in any transfer program but is less prevalent in programs that have control systems, another aspect of administration that some programs eliminate. Independent spot audits and consumer interviews will reveal most program abuses. Keeping the audit function independent avoids conflicts of interest and frees the administration staff to devote its energies to managing the program.

The Ukraine program, although not shown in the chart, has had low information costs. The initial pilot programs did not incorporate an information component because the objective was merely to spike demand. Administration was run through existing associations and was very cost-effective. In certain cases, smaller programs can also be cost-effective if appropriately designed. If channels already exist in the market to capture information, costs can be controlled.

[23] A likely explanation for the efficient cost structure in the Peru program is that unlike most other programs that build a budget based on available donor funds, the administrator in Peru was hired through a management contract.

A Note on Unrelated Activities in Bundled Programs

In many cases, activities unrelated to the voucher program are expected to generate synergies with the program, but this does not always occur. For example, in Argentina, the IDB-funded program was designed with two principal components: a voucher program targeting small and medium-sized enterprises and a diagnostic service that would help these enterprises understand their needs. The idea was that the enterprises that participated in the diagnostic service would naturally gravitate toward the voucher program after the diagnostics were completed. However, the diagnostic tool was designed for medium-sized enterprises, and the majority of participants in the voucher program are micro- and small enterprises. In El Salvador, unrelated activities include a series of market diagnostics conducted prior to the program to analyze four subsectors and identify the key bottlenecks in the growth of small and medium-sized enterprises in those sectors. In El Salvador, positive synergies have taken place, in that voucher usage is quite high and suppliers have developed training products specifically designed to help enterprises overcome the obstacles pointed out during the subsector analysis.

Measuring Cost-Effectiveness

The cost-per-voucher measure, then, is a crude one that should only be used in conjunction with supplementary information. Cost-effectiveness should not be compared between programs, but rather evaluated in light of program objectives. To understand whether a program is reaching the maximum number of clients possible is perhaps a separate issue from knowing whether the program is achieving market development.

In addition to cost per voucher, other indicators can help illustrate the program's outreach per dollar, such as the total number of enterprises reached per dollar, or the total number of vouchers redeemed per dollar. When accurate data on co-payments are available, it could also be useful to know the total amount of funds that the voucher program leverages for the microenterprise training sector (total co-payment value over total voucher value redeemed). It is worth noting that the most valuable measures are based on actual, not projected, figures.

One would assume that the more enterprises reached per dollar (breadth of outreach per dollar), the better, or the more dollars per enterprise (depth of outreach per dollar), the better. However, the optimum levels of these variables may depend on the market development strategy of the program. If the vouchers are to serve a catalytic role in the market only, or are to serve as a "sample" mechanism, drawing new consumers into the market, depth of outreach is not desirable and depth of outreach per dollar is irrelevant. A related issue is whether program resources are being invested in activities that have a high chance of success in effecting structural market change in such a way that future generations of enterprises will benefit.

The implicit finding from the analysis of the cost structures of four programs, combined with information about their design and performance, is that certain components should not be shortchanged; namely, the information, supervision, and audit functions. This is not to say that a heavy cost structure is desirable, simply that it is important to allocate the necessary resources to carry out the market development activities that should accompany the use of vouchers. The question of what an acceptable ratio of operating costs to vouchers used is can only be answered in light of program objectives. The key would be to find ways to reduce operating costs without compromising oversight and information.

Conclusions

The best administrators are existing entities with some degree of name familiarity in the market and existing infrastructure.

The best administrators are matched to program goals. For a sector-specific, small-enterprise program, a trade association might be a good choice. For a national program, government agencies often possess the necessary infrastructure; however, in that case, it is important to evaluate whether the government's image may be detrimental to the program.

External audits, though they add to administrative costs, are a necessary component to efficient program implementation.

Small programs, while proportionately high in administrative costs, operate more efficiently and maintain better control than do large programs. However, designers should examine the tradeoff between efficient management of the program and limited scope.

Concurrent implementation with other BDS or supplier-strengthening activities results in greater effectiveness of the voucher subsidy.

Cost-effectiveness can only be fully measured once program effectiveness is evaluated at the termination of the program.

CHAPTER SEVEN
SUSTAINABILITY

What would a sustainable voucher intervention look like? It seems apparent that voucher programs themselves are not income-generating mechanisms and therefore should not be expected to become financially self-sufficient.[24] A definition of sustainability that the authors reject is program continuity through the leveraging of private funds, revolving funding,[25] or capturing serial donor funding. Within the market development paradigm, emphasis falls on strengthening and enhancing BDS markets such that the ripple effect from an intervention continues to affect the market through market exchanges. Sustainability is therefore used to refer to several desirable outcomes or processes:

The positive market development effects from the program continue once the vouchers are discontinued;

Suppliers are making a profit and charging clients fees for products tailored to the clients' needs; and

The pool of interested clients has expanded and deepened (new clients, more repeat clients).

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[24] There is always the possibility that through creative funding arrangements (rotating sponsors, for example), a voucher fund could be "revolving," meaning funding would be replenished; it is not clear that such an arrangement would necessarily be desirable, however. This would imply that the vouchers themselves would become a permanent fixture on the market, which could produce negative incentives, as seen in recent years in Paraguay.

[25] Perhaps through creative schemes such as replenishing the voucher fund through client payments (in which case vouchers would constitute a "loan" instead of a "scholarship").

Some analysts would add one more outcome, or would assert that the following condition is necessary to guarantee the above outcomes:

The information function generates sufficient revenues to cover costs at least partially, and/or some arrangement is made that guarantees its permanence.[26]

There is no program yet that has demonstrated all four of the above outcomes. Only the program in Bolivia was studied after vouchers were withdrawn, so our understanding of long-term market development is still limited.[27] However, researchers were able to gain valuable insights from the post-program fieldwork about how to end the subsidy and how the market reacts. In addition, the program in Paraguay has been implemented in phases, which has allowed researchers to study the market between phases. The findings have been compromised somewhat, however, by market expectations that subsidies would be available again in the future, a problem that repeated itself in Bolivia, where a national program was scheduled to start soon after the Cochabamba program ended.

In Ukraine, the first set of pilot programs was designed merely to spike demand, and the short time frame did not allow for an information component. Under the second phase, BIZPRO, an extensive voucher administrative system captures market data. This information is fed back into the market to providers virtually immediately. Providers have access to the most current information about consumers and can tailor their products accordingly.

WITHDRAWING THE VOUCHER SUBSIDY

In Paraguay, several stoppages during the voucher program have led to a weeding-out process among suppliers; that is, a separating out of those that are successful in orienting themselves toward the microenterprise market and those that are not. Suppliers that cannot survive in the microenterprise market without vouchers are forced to close down, find alternative market niches, or access other sources of funding. In most cases, the institutes turn back to the market niches they had been working with before the voucher program was implemented.

A small number of Paraguay's providers, however, are showing that they can attract a paying microenterprise clientele even during the voucher stoppages. In many cases, their first experience with the vouchers, during the pilot stage, led to a fundamental restructuring of their operations. The voucher program brought with it a recognition that the long-term, vocational training courses these suppliers had been offering to youth seeking employment in large companies were not necessarily relevant to Paraguay's economy in the mid-1990s. In order to be able to offer short courses that complied with the voucher program's regulations, these institutes underwent a product adaptation process that was costly and slow but that once completed allowed them to sell the same content they had sold to long-term students, this time in easily digestible modules designed for microenterprises. When, less than a year later, vouchers were unexpectedly withdrawn from the market, these providers had to make up their minds: fight it out in the market to retain their new clientele, or go back to the old way. Most institutes chose to continue working with microenterprises, though they had never entirely given up their longer-term courses. Some diversified their income streams through private

[26] Lara Goldmark and Gabriel Schor, November 1999. "Information through Vouchers: What Next after Paraguay?" Washington, D.C.: Inter-American Development Bank.

[27] Other voucher interventions that have ended include a Peruvian program funded by the European Community (EC), and the Swisscontact program in East Java, Indonesia. The EC-funded program, unfortunately, cannot be researched because no baseline data exist. The East Java program kept good records, but usage was so low and program regulations so strict that not much market development could be expected.

consultancies and other activities. When vouchers were reintroduced six months later, these institutes were well-positioned to become leading players in the new program.

Data analyzed from four leading providers participating through several phases of the Paraguay program[28] show that while the volume of operations was reduced during stoppages, the short courses continued to be offered, and prices remained relatively stable; that is, the microenterprise clientele paid full price for the courses.

In Bolivia, the voucher value was decreased in scheduled increments throughout the life of the program. Demand was not demonstrably affected with the decreases, and though it was lower after the program than during, it was not as low as before the program. The table below shows the number of students per supplier participating in the Bolivian program, comparing data from March 2000, when the program was in full swing, with data from June 2001, six months after the program ended. Many of the Bolivia providers reported a decrease in their overall volume of operations after the program concluded, but this is to be expected. The positive trend observed is the following: because the data collected during program execution distinguish voucher users from nonvoucher users, a comparison can be made between the post-program level of students and the during-program level of nonvoucher students. In all cases for which information is available, post-program figures are higher, meaning the providers have captured some of the former voucher users as paying students. From the interviews conducted in June 2001 of both clients and suppliers, this indeed appears to be the case.

Bolivia Training Providers' Volume of Activity

Name of Institute	During Voucher Program March 2000			Post-Program June 2001
	No. of Students/ Month	No. of Vouchers/ Month	No. of Novoucher Students/ Month	No. of Students/ Month
INFOCAL	675	N/A	N/A	391
Carmen	338	218	120	135
Ely	315	167	148	205
Halley's	281	N/A	N/A	N/A
Newton-Japones	227	N/A	N/A	N/A
Emma	195	N/A	N/A	259
Oruro	150	55	95	273
Almanza Gutierrez	128	45	83	118
Liffany	124	66	58	N/A
Vanguardia	113	15	98	N/A
FIE	50	N/A	N/A	N/A
IDEPRO	N/A	N/A	N/A	42
Total	1,168	566	602	1,423
Average	194	94	100	203

In addition to implementing regular decreases in voucher value, administrators in Bolivia facilitated technical training courses for providers, which led the providers to offer new courses based on what they had learned through the training. Although not expressly meant for this purpose, it is plausible that the supplier-strengthening activities helped to prepare providers for the withdrawal of the vouchers. Certainly, the combination of the supplementary voucher revenues, umbrella marketing efforts, and the facilitation of product adaptation positioned

[28] Goldmark and Schor, November 1999.

participating suppliers to grow during the program so that this expansion trend could continue for at least some time beyond the life of the program.

Proponents of a permanent information function[29] argue that to maintain the positive market dynamic observed during and after some voucher programs, it is important to conceptualize the distribution center as not only a place where users pick up vouchers, but as a permanent institution that contributes to keeping both consumers and suppliers informed about developments in the training market.

What Would a Sustainable Information Function Look Like?

Although a rough sketch of a market without vouchers was available through the examples described above, there are as yet no examples of an information system that has become commercially viable. Indeed, there are few examples, even during program execution, in which the information function has been fully developed.

- In Indonesia, administrators used audits and course evaluations to collect valuable information about supplier performance. However, geographic and organizational constraints did not permit any of this rich information to reach consumers.
- In Bolivia and El Salvador, vouchers were/are distributed by suppliers; therefore, the information function was/is not being fully realized.
- In both Peru and Paraguay, administrators have made creative attempts to produce and disseminate information to both consumers and suppliers; however, no progress has been made in moving toward a commercially viable form of this activity.

To conceptualize a sustainable information service, it is important to begin with the pragmatic question, Who would pay for the service? The answer can help inform the response to the next logical query: What exactly would be offered? Only after both of these questions have been answered is it appropriate to address the third challenge: How could a sustainable information service be incorporated into program design?

Who Would Pay?

Most probably, the costs of this service would have to be borne by suppliers or outside actors, such as advertisers, wishing to reach the microenterprise market. Because perceived low levels of willingness and/or ability to pay for training are already a factor that leads to the development of voucher programs, it may be unrealistic to think that those same microentrepreneurs could be convinced to purchase an additional service; namely, information about another service that they are just beginning to believe is valuable—training.

[29] Alberti, Jose Pedro, Castagnola, Jose Luis, "'Vouchers' Para el Desarrollo de Mercados de Servicios Empresariales" December 2000; Goldmark and Schor, 1999; Addis Botelho and Goldmark, "Paraguay Vouchers Revisited", 2000.

WHAT EXACTLY WOULD BE OFFERED?

If costs were borne by suppliers, the service would have to serve a marketing function—getting information about available training products out to the right demand segment, or perhaps just getting the message out to the general public, raising the profile of BDS providers. This could be achieved by joint marketing campaigns conducted by groups of suppliers, perhaps organized into an association.

If costs were borne by outside actors such as advertisers wishing to sell their products to the microenterprise population, then the information service would need to reach a large audience within the target segment. To do this, the service could offer information on various topics through a mainstream medium (such as a newspaper, radio program, or other "news" source). A few examples, although not found within voucher programs, can be cited to clarify how this could work:

- Some low-income communities in Brazil *(favelas)* have newspapers, funded through advertisers that periodically alert community residents of local events and opportunities, including training courses. To date, the training courses listed in these newspapers have been supply-side initiatives, but there is no reason why voucher program administrators—and later, suppliers—could not ally themselves with such a newspaper and publish regular information about course availability.
- IDEPRO,[30] a Bolivian multiservice BDS provider, has developed an insert for a national newspaper and some radio spots, also funded through advertisements, that target microenterprises as its audience. The insert generates so much interest that the day it appears, the national newspaper's sales increase by more than 20 percent. This service is partially subsidized, but that fact is due more to IDEPRO's cost structure and weak negotiating stance with the newspaper than to the innate potential for viability. The insert includes a few stories, but what generates real interest are the advertisements placed by microenterprises, their goods suppliers, microfinance institutions, and other members of the microenterprise community. Microenterprises use the paper to find one another (for example, shoe producers offering extra leather for sale or furniture makers looking for cheaper wood). Available training courses, through IDEPRO and other providers, are also listed.
- FIT, an ILO program[31] operating in several African countries, has supported projects in which radio stations, newspapers, and flyers directed at small enterprises have successfully been spun off from development programs and turned into profit-making initiatives. Again, funding is primarily through advertisers. One business-to-business advertising paper in Zimbabwe has been operating profitably for more than two years.
- The information function could be developed in the form of a *Consumer Reports*–style rating mechanism and could be supported by local commercial associations.

[30] IDEPRO = Instituto para el Desarrollo de la Pequeña Unidad Productiva.
[31] For more information on FIT, see the ILO Web site at www.ilo.org/seed.

HOW COULD A SUSTAINABLE INFORMATION SERVICE BE INCORPORATED INTO PROGRAM DESIGN?

The ideal strategy would be for program administrators to partner with existing sustainable information vehicles, such as those mentioned above, that can be mobilized to perform information functions during the voucher program. The challenge would be making sure the service is complete enough and accessible to all voucher users, and that the vehicle does not treat the program like a (paying) advertiser. Once the program has begun and serves a critical mass of consumers and suppliers, the argument could be made that this audience would generate increased profits for the information entity.

Only where this type of partnership is not possible or these vehicles do not exist should program administrators build the information service from the ground up. In either case, the service must be conceptualized from the beginning as a sustainable effort, with revenue streams and targets to be achieved during, as well as after, program execution. One important consideration to capitalize on is the willingness of providers to pay for umbrella marketing efforts.

MEASURING SUSTAINABILITY

For programs in progress, indicators measure the potential for sustainability. Many of these sustainability indicators are the same indicators used for measuring market development and outreach. Healthy levels of repeat voucher use and increasing co-payment levels, combined with a growing number of providers developing more and more courses for microenterprises, indicate the degree of market development that bodes well for continued market growth after vouchers are discontinued. Product dependence, training dependence, and institutional dependence on voucher income indicate supply-side strength and ability to withstand the withdrawal of the subsidy. In other words, trends toward the program objectives of stimulating awareness and increasing the level of market exchanges between supply and demand are positive indicators of the potential for sustainability. Practitioners are aware, however, that the level of activity may be artificially high due to the distorting effects of the subsidy. Therefore, qualitative measures, such as those regarding the structure of supply, must be taken into account.

Many of the post-program indicators suggested below would be difficult to calculate, and, as yet, no program studied has made provisions to collect the necessary data. Proxy measures provide a general picture. To gain a true understanding of the program's long-term effects on the market, post-program evaluations should be made at one-year intervals for at least two years after the conclusion of the program.

POST-PROGRAM INDICATORS

The following post-program indicators could be used to evaluate the long-term effectiveness of voucher programs.

Existence of an independent, profitable information function.

Profitable suppliers and post-program interviews with participating providers comparing current provider income with income data from the program. It is important during the interview to qualify whether the provider continues to serve the microenterprise market. Has the supplier experienced increased profitability because of an expanded client base? increased volume?

Microenterprises that purchased training that can attribute at least some of their improved financial positions to the training.

Microenterprises that purchased training with the voucher subsidy that return for unsubsidized courses.

Continued geographical diversification of suppliers.

Price diversity and characteristics of training products: represents investment and innovation on the part of training providers.

CHAPTER EIGHT
LESSONS AND RECOMMENDATIONS

Voucher programs have proved to be effective mechanisms for facilitating the delivery of training to microenterprises. The model as adopted by several programs around the world has proven to be flexible, adaptable, and promising. The research distilled here has resulted in a comprehensive understanding of how the theory behind vouchers is played out in the marketplace. The researchers were able to identify practices that truly work, scenarios that show promise, and challenges still to be resolved. The research team was also able to suggest creative solutions to some of the unresolved issues, especially those relating to sustainability and possible future uses of voucher subsidies.

Overall Assessment

Voucher programs should be one integral component in a comprehensive market development package that is staggered in its implementation. The steps involved should include market diagnosis, identification of targeted consumers, cultivation of supply through strengthening activities and cultivation of demand through education/program marketing, use of vouchers as a catalyst, continued development of supply, and temporary support of a sustainable information outlet.

Within the voucher component, practitioners should see a virtuous circle of awareness, learning, and exchange. This can happen if the program is designed for the target segment it hopes to reach and if the bundle of activities suggested above accompanies implementation of the voucher. The circle should then repeat itself in the absence of the voucher. This is the goal of the intervention.

PROGRAM-SPECIFIC SUGGESTIONS

A supply-driven tool is more appropriate in rural areas where a critical mass of providers is unlikely to exist, and where it is even less likely that there will be a wide selection of private suppliers.

The choice of program administrator should be based on program objectives. An NGO might be an excellent choice when microenterprises and potentials are targeted. An entity with existing outlets nationwide is best for a national program. A private company would be a possible choice (though there are no examples of this yet) when the program targets high-end, niche, or specialized providers and small and medium-sized enterprises. Market focus is more likely to be present at this level.

Huge, broad programs are hard to monitor adequately; small, sector-oriented programs do not have much overall market impact. Something in between is best—a pilot-style program in an urban environment.

Vouchers should be used selectively and strategically in conjunction with other market development tools, such as training of trainers, business centers, internships, and technical assistance. In other words, supplier strengthening should not be just one small component of a voucher program, but, rather, the voucher should be a component of a supplier-strengthening program. The voucher is more effective when the market has been primed for its introduction.

Microenterprises need much more than just training. At different stages of their business growth, enterprises need different services. An incipient enterprise needs basic skills training and some capital to commence operations. With success and an increase in business activity, the enterprise then needs management and marketing training and perhaps assistance with distribution or purchasing. In a developed market, all these services will be available.[32]

Voucher programs should possess a clearly enunciated exit strategy and an administrator committed to abandoning the voucher when prescribed. Vouchers should not be conceptualized as a permanent fixture in the market.

Methodologies should be developed for profiling a market preprogram to identify the most appropriate approaches to market development.

In a program whose objective is to stimulate high-priced/high-quality courses, or in which the goal is regional or international competitiveness (the goal being higher-quality courses), a percentage value for the voucher is best. Conversely, when the objective is to develop the training supply at the most basic level, including formalizing existing supply, a fixed value is better.

The success of voucher programs is still being measured primarily by the number of courses given and the number of vouchers used. This gives an accurate picture of program progress but belies the more fundamental goal of introducing skills that provide financial benefits to users that will encourage them to seek further training. The methodology needs to be developed to measure benefits to consumers.

[32] Rosario Londono, Costa Rica BDS case, 1998. Unpublished draft, Washington, D.C.: Inter-American Development Bank.

- More effort needs to be directed toward creating sustainable information functions. Other ideas were suggested in the design of a program (as yet not implemented) in Rio de Janeiro, Brazil, such as support for a local neighborhood newsletter that funds itself with advertising, and tie-ins with television and radio.

IDEAS TO FURTHER DEVELOP THE VOUCHER TOOL

In closing, the authors would like to suggest that creative and innovative questions about the role for vouchers have been asked by practitioners and development specialists in the course of numerous workshops and seminars. Some refer to the practical issues of managing the microenterprise model. Others suggest novel and potentially exciting ways of adapting the model for a new approach to delivering, promoting, or stimulating BDS markets. One such idea is the "univoucher," to purchase any number of completely different types of services such as advertising, accounting, or legal services, while at the same time serving as a demand-tracking device. This would address one of the thorniest challenges facing development practitioners: what do microenterprises really want? Administration of the program would simultaneously lead to a demand diagnostic.

Such ideas are untried and would require rigorous analysis before reaching the design phase, but the evaluation presented here suggests that vouchers have good potential for altering markets. Further practical experience with a firm analytical foundation will yield further model innovations and refinements.

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