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PROJECT PERFORMANCE ASSESSMENT REPORT

KENYA

**MICRO AND SMALL ENTERPRISE
TRAINING AND TECHNOLOGY PROJECT**

(CREDIT 2596-KE)

JUNE 24, 2005

*Sector, Thematic, and Global Evaluation Group
Operations Evaluation Department*

Currency Equivalents

Currency Unit = Kenya Shilling (Ksh)

Appraisal (May 1993)	US\$1.00	Ksh 62.16
Intervening years (annual avg.)	US\$1.00	Ksh 63.59
Completion (December 2002)	US\$1.00	Ksh 79.54

Abbreviations and Acronyms

AAs	Allocating Agents
BDS	Business Development Services
CAS	Country Assistance Strategy
CBS	Central Bureau of Statistics
DATO	District Applied Technology Officer
DCA	Development Credit Agreement
ICR	Implementation Completion Report
IDA	International Development Agency
JKA	Jua Kali Association
JKE	Jua Kali Entrepreneur
KIRDI	Kenya Industrial Research and Development Institute
M & E	Monitoring and Evaluation
MLHRD	Ministry of Labor and Human Resource Development
MRTT&T	Ministry of Research, Technical Training, and Technology
MSE	Micro and Small Enterprise
MSETTP	Micro and Small Enterprise Training and Technology Project
NATTET	National Association for Technology Transfer and Entrepreneurial Training
NFJKA	National Federation of Jua Kali Associations
NGO	Non-Governmental Organization
OED	Operations Evaluation Department
PATO	Provincial Applied Technology Officer
PCO	Project Coordination Office
PPAR	Project Performance Assessment Report
QAG	Quality Assurance Group
SACCO	Savings and Credit Cooperative
TB	Training Beneficiary
TP	Training Provider
VTP	Voucher Training Program

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OED Mission: Enhancing development effectiveness through excellence and independence in evaluation.

About this Report

The Operations Evaluation Department assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, OED annually assesses about 25 percent of the Bank's lending operations. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons. The projects, topics, and analytical approaches selected for assessment support larger evaluation studies.

A Project Performance Assessment Report (PPAR) is based on a review of the Implementation Completion Report (a self-evaluation by the responsible Bank department) and fieldwork conducted by OED. To prepare PPARs, OED staff examine project files and other documents, interview operational staff, and in most cases visit the borrowing country for onsite discussions with project staff and beneficiaries. The PPAR thereby seeks to validate and augment the information provided in the ICR, as well as examine issues of special interest to broader OED studies.

Each PPAR is subject to a peer review process and OED management approval. Once cleared internally, the PPAR is reviewed by the responsible Bank department and amended as necessary. The completed PPAR is then sent to the borrower for review; the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

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The time-tested evaluation methods used by OED are suited to the broad range of the World Bank's work. The methods offer both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. OED evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (more information is available on the OED website: <http://worldbank.org/oed/eta-mainpage.html>).

Relevance of Objectives: The extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). *Possible ratings:* High, Substantial, Modest, Negligible.

Efficacy: The extent to which the project's objectives were achieved, or expected to be achieved, taking into account their relative importance. *Possible ratings:* High, Substantial, Modest, Negligible.

Efficiency: The extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. *Possible ratings:* High, Substantial, Modest, Negligible. This rating is not generally applied to adjustment operations.

Sustainability: The resilience to risk of net benefits flows over time. *Possible ratings:* Highly Likely, Likely, Unlikely, Highly Unlikely, Not Evaluable.

Institutional Development Impact: The extent to which a project improves the ability of a country or region to make more efficient, equitable and sustainable use of its human, financial, and natural resources through: (a) better definition, stability, transparency, enforceability, and predictability of institutional arrangements and/or (b) better alignment of the mission and capacity of an organization with its mandate, which derives from these institutional arrangements. Institutional Development Impact includes both intended and unintended effects of a project. *Possible ratings:* High, Substantial, Modest, Negligible.

Outcome: The extent to which the project's major relevant objectives were achieved, or are expected to be achieved, efficiently. *Possible ratings:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry and supported implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of the project). *Possible ratings:* Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower assumed ownership and responsibility to ensure quality of preparation and implementation, and complied with covenants and agreements, towards the achievement of development objectives and sustainability. *Possible ratings:* Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

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Principal Ratings

	<i>ICR*</i>	<i>ICR Review*</i>	<i>PPAR</i>
Outcome	Satisfactory	Satisfactory	Moderately Unsatisfactory
Sustainability	Likely	Likely	Unlikely
Institutional Development Impact	High	High	Modest
Bank Performance	Satisfactory	Highly Satisfactory	Unsatisfactory
Borrower Performance	Unsatisfactory	Unsatisfactory	Unsatisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible operational division of the Bank. The ICR Review is an intermediate Operations Evaluation Department (OED) product that seeks to independently verify the findings of the ICR.

Key Staff Responsible

<i>Project</i>	<i>Task Manager/Leader</i>	<i>Division Chief/ Sector Director</i>	<i>Country Director</i>
Appraisal	Nat Colletta	Jacob Maas	Francis Colaco
Completion	Ivan Rossignol	Demba Ba	Makhtar Diop

Preface

The Kenya Micro and Small Enterprise Training and Technology Project (Credit 2596-KE) in the amount of SDR 15.7 (\$21.83 million equivalent) was approved on April 5, 1994, and made effective on November 28, 1994. SDR 6.19 million (\$7.83 million) was cancelled. The credit closed on December 31, 2002 after a one-year extension. The credit disbursed 84 percent of the amount net of the cancellation, and the final disbursement was made on December 10, 2003.

This report is based upon reviews of the Implementation Completion Report, the Staff Appraisal Report, legal documents, project files, discussions with Bank staff involved with the project, and interviews with relevant stakeholders in Kenya (government officials, NGOs, other donors, and project beneficiaries).

An OED mission to Kenya took place in February-March 2005 and conducted an extensive survey of trainers and trainees that participated in the project's Voucher Training Program. Nearly 300 trainers and trainees were interviewed in five regions of the country: Greater Nairobi, Greater Kisumu, Machakos, Mombasa/Malindi, and Nakuru. The survey was carried out with the assistance of a team of local consultants. The mission appreciated the courtesies and logistical support given by the Ministry of Labor and Human Resource Development.

The evaluation was undertaken to provide input to OED's upcoming review of the World Bank's support for small- and medium-scale enterprises. It also provides lessons for governments and donors attempting to develop markets for business development services for small enterprises. Following standard procedures, a copy of the draft PPAR was sent to relevant government officials for their review and comments. Their comments are attached in Annex B.

Summary

The Micro and Small Enterprise Training and Technology Project (MSETTP), supported by a \$21.8 million IDA credit, was approved in 1994 and closed in 2002. The long term objective of the project was to enhance the entrepreneurial development of the private sector and increase employment and incomes among informal-sector (Jua Kali) micro- and small-scale enterprises (MSEs). Specific objectives were to (i) develop and implement policies to establish an enabling environment for entrepreneurial development; (ii) provide access to skill training and appropriate technology for MSEs, and facilitate technological innovation in the MSE sector; and (iii) improve the operational and managerial capacity of institutions and programs that support the sector's development. The project objectives were highly relevant to Kenya's development needs at the time.

The key component of the project was a voucher training program (VTP) to subsidize skills and management training to Jua Kali workers in the manufacturing sector, and develop the private market for training services. Other components focused on upgrading the capacity of training providers, increasing the availability of microfinance, building institutional capacity of the implementing agency, improving policy analysis and monitoring and evaluation, and constructing work sites for Jua Kali businesses.

Project implementation got off to a slow start. The original design of the project was vague, hampered by an inadequate understanding of the constraints to the development of training markets and insufficient clarity as to the management structure of the project. These issues had been raised earlier by a group of bilateral donors in Kenya that opposed the project before it was presented to the Board. Following a mid-term review mission in mid-1997, some project components were revised and output targets reduced. The centerpiece of the restructured project was the VTP, an innovative approach that attempted to build markets for business development services to serve the needs of MSEs.

Implementation accelerated after project restructuring. However, the VTP's large subsidy, multiple procedures, and weak oversight created an environment conducive to abuse. Allegations of corruption led some qualified trainers to decide not to participate in the program, and created a reputational issue for the Bank. Delays in obtaining voucher reimbursements had a significant impact on many trainers who were forced to take out loans to keep their business going or who spent time and money traveling to Nairobi to seek payment.

An impressive number of MSEs received training under the VTP -- nearly 35,000, compared to the officially revised target of 32,000. However, their ability to take advantage of newly-acquired skills was limited by infrastructure and financing constraints that could have been reduced if the other components had been successfully implemented. The long-run impact of the project on markets for training services appears to have been modest, as many trainers returned to their previous activities once the VTP subsidies ended. The efficiency of the project was negligible due to implementation delays and the excess subsidy provided under the VTP. Taking into account relevance, efficacy, and efficiency, the project **Outcome** is rated **Moderately Unsatisfactory**.

The **Institutional Development Impact** of the project is rated as **Modest**. The project put in place a monitoring and evaluation system that was well ahead of most similar projects at the time, and helped the Government prepare plans and regulations for the MSE sector. However, the project's

contribution to improved governance in the organizations involved in the project (government ministries and Jua Kali organizations) was minimal. Indeed, the project was plagued by allegations of corruption, undermining the reputation of these organizations.

For many of the trainees that benefited from the project, the sustainability of benefits is likely. However, since the market development impact of the project on markets for training services was modest, the sustainability of changes in training markets is unlikely. On balance, the **Sustainability** of the project is rated **Unlikely**.

Poor quality at entry had major implications for project implementation and effectiveness. Bank staff made a very strong effort to refocus the project in 1997, and tested an innovative approach to building markets for business development services that was emerging in the donor community. Although project supervision improved, it failed to raise project outcome into the satisfactory range. Therefore, the Bank's performance must be said to have been moderately unsatisfactory. Since that rating category is not available at this time, **Bank Performance** is rated **Unsatisfactory**.

The project suffered from shifting management among four Ministries, attempted fraud, alleged corruption associated with the allocation and reimbursement of vouchers to VTP participants, and delays in payments to trainers and the intermediary allocating agents. The Government's failure to fulfill all conditions relating to the enabling environment was the main factor that led to the cancellation of the infrastructure component and the only partial implementation of the technology component. For these reasons, **Borrower Performance** is also rated **Unsatisfactory**.

Among the lessons learned from the project are:

- **Understand markets and institutions before designing the intervention.** The nature of market failures (if any) should guide the decision whether to intervene at all, and if so, whether to intervene on the supply side or the demand side of the market. Implementation can be problematic because of institutional and governance issues. Market and institutional assessments should be done prior to project design to identify these issues.
- **Choose the least-cost intervention.** It is important not to over-subsidize services, both to avoid distorting markets and to limit the incentive for corruption. Vouchers may be a relatively high-cost way of stimulating demand for business development services compared to alternative methods (e.g., the provision of information). And subsidies should not become the centerpiece of the project.
- **Favor private sector management.** Current best practice in projects that use matching grants or vouchers to stimulate markets for business development services is to contract a private firm to manage the program. Clear incentives and performance indicators should be established.
- **Allow time to learn from the pilot phase,** providing sufficient opportunity to get management and governance issues right.

Nils Fostvedt
Acting Director-General
Operations Evaluation

1. Evaluation Objectives and Methodology

1.1 The evaluation of the Kenya Micro and Small Enterprise Training and Technology Project (MSETTP) was undertaken to provide input to OED's upcoming review of the World Bank's support for small- and medium-scale enterprises. It is an example of the Bank's current approach to supporting small enterprise development through improvements in the enabling environment as well as the development of markets for business development services -- in this case, training services for informal sector micro- and small-scale enterprises (MSEs). The evaluation will provide lessons for the Bank and other donors who have been testing this approach, and in particular for other Bank-financed small enterprise projects that use matching grants or vouchers to stimulate the demand for services.

1.2 Much of the evaluation is based on an extensive survey of trainers and trainees that participated in the project's VTP (detailed in Annex D). Nearly 300 trainers and trainees were interviewed in five regions of the country: Greater Nairobi, Greater Kisumu, Machakos, Mombasa/Malindi, and Nakuru. The survey was designed to determine the impact of the program on the performance of trainees, as well as on markets for training services. In particular, the survey attempted to address the issue of the sustainability of changes in the training market that occurred during the project.

1.3 In addition to the survey, the evaluation is based upon reviews of the Implementation Completion Report, the Staff Appraisal Report, legal documents, project files, discussions with Bank staff involved with the project, and interviews with relevant stakeholders in Kenya including government officials, NGOs, and other donors.

2. Background

The Jua Kali Sector in Kenya

2.1 The MSETTP was designed during a time when the Kenyan economy faced the challenge of expanding employment opportunities to absorb a rapidly expanding workforce. The total labor force was expected to grow at an average rate of about 4.1 percent per year in the 1990s and over 6 percent in urban areas. It was projected that a large share of new entrants would be absorbed into the informal sector. The challenge was not only to stimulate employment in the informal sector, but also to create conditions for graduation into the formal sector.

2.2 In Kenya, the informal sector is understood to be synonymous with micro- and small-scale enterprises (MSEs): "self-employed persons in open markets, in market stalls, in undeveloped lots, or on street pavements within urban centers".¹ According to a 1999 National Baseline Survey,² there were about 1.3 million MSEs employing 2.4

1. Small-Scale Enterprise Surveys conducted annually by the Kenya Central Bureau of Statistics, cited in the Project Appraisal Report p. 5.

2. Kenya Central Bureau of Statistics, "National Micro and Small Enterprise Baseline Survey 1999." MSEs are defined as enterprises with 1-50 employees; microenterprises are those with 1-10 employees.

million workers. Of these, 99 percent were microenterprises, and nearly two-thirds were located in rural areas. Sixty-four percent of MSEs were involved in trade, 22 percent in services, and 13 percent in manufacturing. The term "Jua Kali", literally meaning "hot sun" in Kiswahili, is used colloquially to refer to MSEs that manufacture products or provide productive services, rather than traders *per se*. It was this segment of 172,000 manufacturing sector MSEs that was the target population of the project.

2.3 The baseline survey found that the main constraints to better MSE performance were lack of access to markets (cited by 34 percent of sample respondents) followed by lack of access to credit (18 percent). The Bank's Private Sector Development Strategy at the time found that the private sector in Kenya suffered from policy failures -- a lack of macroeconomic discipline, poor and uneven enforcement of laws, and excessive regulations. The informal sector was further constrained by the lack of worksite security and basic infrastructure; limited access to formal credit; low skill levels; and an inability to acquire information on marketing and technology opportunities. The project was designed to address some of these constraints.

The Market Development Approach to Business Development Services

2.4 The project was an early example of a new approach to the provision of business development services (BDS) to small enterprises.³ In the traditional approach to BDS, many types of services were provided directly to MSEs by public sector agencies or donor-supported providers, often free of charge. However, the results of this approach were disappointing. Many MSEs complained that the services provided were of poor quality or irrelevant to their needs. There was little evidence that such services had a positive impact on MSE performance (e.g., sales, profits, and employment). And sustainability was poor -- often, the provision of services ceased when funds ran out or the project ended.

2.5 Recently, a group of donors have promoted the so-called "market development approach" to BDS interventions, attempting to stimulate the provision of services on a commercial basis by private firms, NGOs, business associations, or others.⁴ Under this approach, the role of the government or donor shifts to facilitating market development rather than attempting to substitute for markets by directly providing services to MSEs. Interventions may be on the demand side (increasing the willingness to pay on the part of MSEs, e.g., by raising their awareness of the benefits of services) or the supply side (helping providers improve the cost-effectiveness and quality of services) or both.

2.6 The project was one of the first financed by the Bank that followed the market development approach. The main component of the project acted on the demand side of

3. Business development services include a wide array of non-financial services such labor and management training, technology upgrading, information services, accounting and auditing, marketing, and business linkages.

4. Committee of Donor Agencies for Small Enterprise Development, "Guiding Principles for Business Development Services for Small Enterprises", February 2001.

the market by issuing vouchers to potential trainees, thereby subsidizing the cost of training and allowing trainees to choose their own trainer. It was hoped that the short-term stimulus provided by the voucher would encourage long-term increases in the supply and demand for training -- on the supply side by encouraging innovation by commercially-oriented trainers, and on the demand side by increasing MSEs' willingness to pay.

2.7 As with any market, the use of subsidies in BDS markets needs an economic justification. In the short term, it can be argued that subsidies to develop markets are worthwhile if they are not too distorting -- in other words, if their market development impact outweighs their distortionary impact. In the long term, subsidies are justified only if they support the production of genuine public goods. In the case of basic education, the public goods argument is usually accepted. For MSE training, the decision hinges on the degree to which the training benefits the economy (or at least the MSE sector) as a whole, beyond the private gains to MSEs (in the form of increased sales or profits).

3. Project Objectives, Design, and Implementation

Objectives

3.1 The long term objective of the MSETTP was to enhance entrepreneurial development in the Kenyan private sector and, more specifically, reduce constraints to employment promotion and income enhancement in the MSE (informal) sector.⁵ Specific objectives were to (i) develop and implement policies to establish an enabling environment for entrepreneurial development; (ii) provide access to skill training and appropriate technology for MSEs, and facilitate technological innovation in the MSE sector; and (iii) improve the operational and managerial capacity of institutions and programs that support the sector's development. The project was targeted at manufacturing enterprises with one to 50 workers, particularly those owned by women. Regionally, the project was targeted at major urban and peri-urban areas of the country.

Relevance of Objectives

3.2 The 1996 Country Assistance Strategy (CAS) noted that, despite relatively good growth during the second half of the 1980s, the Kenyan economy had failed to generate many new jobs, and there had been little reduction in poverty. Without pursuing policies that would encourage labor-intensive growth, the country faced a continued gradual decline into more widespread poverty. In addition to macroeconomic stability and adequate infrastructure, the CAS noted that the main problems faced by the private sector were institutional in nature. The MSETTP was part of the Bank's efforts to boost employment and incomes, including those in the informal sector.

3.3 Most Government officials and representatives of donor agencies interviewed for the evaluation expressed the view that the project was highly relevant at the time.

5. Staff Appraisal Report, March 2, 1994.

The Jua Kali sector employed a large share of the population and provided entry-level job opportunities for the expanding labor force. The sector was in need of upgraded labor and management skills, which were the focus of the MSETTP.

3.4 There were some dissenting views. Some questioned the Bank's focus on traditional Jua Kali skills such as tie-dyeing and handicrafts, in an economy that needed to exploit more advanced technologies to become globally competitive. Others suggested that the project could have been targeted more specifically to industries and regions where demand was evident and self-employment was feasible.

3.5 On balance, this evaluation finds that the project's focus on traditional informal sector skills was appropriate for Kenya's poverty and employment agenda, even if it was less appropriate for the growth agenda. Thus, the objectives of the MSETTP were substantially relevant to the country's development priorities and the Bank's assistance strategy.

Components

3.6 As originally designed, the project had four components (detailed components and costs are contained in Annex C):

- a Micro- and Small Enterprise Training Fund (appraisal estimate \$11.5 million) to provide incentives for skill upgrading and technology development for MSEs, and for diversifying and improving public and private sector training capacity. There were two subcomponents: a Voucher Training Program to subsidize the purchase of training services by MSEs, and a Contract Training Scheme to provide training to the trainers.
- a Technology Development and Pilot Infrastructure component (appraisal estimate \$5.6 million), also with two subcomponents: a Technology Information/Innovation and Research Program to improve product design and quality by providing equipment, training, and technical assistance to MSEs, and a Pilot Infrastructure Development subcomponent to provide MSEs with legal and secure tenure to worksites and to facilitate their access to infrastructure.
- an Institutional Development component (appraisal estimate \$2.1 million) that included staff development in the implementing agency and Jua Kali organizations, as well as support for policy analysis and monitoring and evaluation in the implementing agency and other ministries.
- a component to cover the administrative costs of the Project Coordination Office and other participating organizations (appraisal estimate \$1.7 million).

3.7 Due to lack of progress on implementation (described below), a mid-term review mission in July 1997 recommended that the project be restructured.⁶ The three main objectives of the project remained unchanged, but greater emphasis was given to the Micro and Small Enterprise Training Fund with a more explicit objective of developing sustainable markets for training services. The target number of MSE trainees was

6. The changes were reflected in the amended Development Credit Agreement of July 31, 1998.

lowered from 60,000 to 32,000 (subsequently revised unofficially to 24,000), and the estimated cost was reduced from \$11.5 million to \$7.5 million. The Technology Development and Pilot Infrastructure component added a microfinance sub-component, and the Institutional Development component re-focused specifically on developing and implementing a monitoring and evaluation plan.

Implementation Arrangements

3.8 Originally, the National Federation of Jua Kali Associations (NFJKA) was to be responsible for managing the VTP, under the government ministry in charge of implementing the MSETTP (the Ministry of Research, Technical Training, and Technology, or MRTT&T). However, the JFJKA was unable to assume this responsibility due to a legal battle over control of the Association, and instead a professional Project Coordination Office (PCO) was established in the MRTT&T. The VTP involved three market players: the training providers (public or private training institutes, individual trainers, or master craftsmen); the MSE trainees; and intermediary "allocating agents". Many of the allocating agents were associations of Jua Kali entrepreneurs.

3.9 Initially, the VTP was to finance 90 percent of the cost of training, with the remainder contributed by the training beneficiaries. Subsequent vouchers to the same trainee were to require a larger beneficiary contribution. It was expected that, at a later stage, the Jua Kali Associations and/or individual artisans would contribute to the full cost of training to ensure sustainability.

3.10 The role of the allocating agent was to receive and approve applications for vouchers from potential trainees, distribute the vouchers to approved trainees, qualify training providers for participation in the program, and verify that training took place. In return, the allocating agents were to receive three percent of the value of vouchers distributed. The trainees obtained vouchers from the allocating agents upon paying their 10 percent contribution, and chose their training provider from the list of those qualified by the allocating agent. Upon completion of the training and verification by the allocating agent, the training provider submitted the vouchers to the Ministry for reimbursement.

3.11 Under the Technology Development subcomponent, Jua Kali Associations were to receive training from microfinance institutions and other assistance to set up savings and credit cooperatives, using vouchers from the VTP. The Pilot Infrastructure subcomponent was to be implemented in Mombasa and Kisumu by the Jua Kali Associations, with assistance from privately contracted organizations.

3.12 Regular assessments of trainee skill and technology needs, and training provider capacity were to be undertaken by Jua Kali Associations on an annual basis. Project impact evaluations were to be carried out by the Ministry of Planning and the Ministry of Labor and Human Resource Development.

3.13 As a condition of Board presentation, the Government provided a Letter of Informal Sector Policy and Time-Bound Action Plan designed to foster an enabling policy environment for the informal sector. Various barriers to entry, operation, and exit were to be removed or simplified, e.g., registration, licensing, accessing urban land to Jua Kali operators, building standards, and other business regulations.

Donor Views on Project Design

3.14 The VTP was the centerpiece of the redesigned project, and it involved a large subsidy (90 percent of the cost of training). This design reflected an assumption on the part of the Government, accepted by the Bank, that a large subsidy was necessary to encourage MSEs to engage in training and to get training providers interested in providing it.

3.15 This assumption was questioned by a group of donors involved in MSE activities in Kenya before the project was presented to the Board. The donors -- including those from the U.S., Germany, U.K., and the Netherlands -- objected both to the large subsidy and the governance structure, and attempted to block the project through their respective Executive Directors. Some felt that their efforts to promote commercial BDS would be undermined by the heavily subsidized services of the MSETTP, and that the large subsidy would be open to abuse.⁷ In response, Bank staff met with the donors and made some modifications to project design. However, donors interviewed for this evaluation commented that the changes were minor, and that they felt that the Bank had ridden roughshod over their concerns.⁸

Implementation

3.16 The project became effective on November 28, 1994, but implementation got off to a slow start. The PCO was not formed until February 1996. The hiring of consultants for the VTP took about one year, and training of PCO and MRTT&T staff another year. Due to slow progress in implementation, a number of changes were made following a review mission in June-July 1997. In addition, management of the project in the East Africa Department was transferred from the Population and Human Resources Division to the Private Sector Finance Group.

7. In a letter to the MRTT&T Permanent Secretary, the UNDP outlined the concerns of donors, including the lack of consultation during the preparation of the project; the impact of subsidized training on institutions that were attempting to provide training on a sustainable basis; the role of the Government in technology development; and the lack of clear objectives and impact indicators. The donors recommended an independent, professionally-managed implementation structure, and a strengthened monitoring and evaluation system.

8. Some of these problems were recognized by Bank staff at the time. In February 1995, the project's task manager organized a meeting of Bank staff with expertise in the area to discuss the MSETTP's project management and implementation structure. According to a memo sent by the task manager to his division chief, the group unanimously agreed that the project was unimplementable due to its complex and unclear management structure and insufficiently specified implementation process, especially given the extreme level of corruption in Kenya. In response, the task manager's division chief suggested that the meeting had not been constructive, and that it was unhealthy to condemn the project after it had already suffered abuse in 1994.

3.17 Interviews with government officials, NGOs, and other stakeholders suggested that the project suffered from frequent changes of task managers in the Bank as well as implementing agencies in the Government. In the latter, responsibility for the project shifted from MRTT&T to its successor agency, the Ministry of Education, Science, and Technology; then to the Office of the President; and finally to the Ministry of Labor and Human Resource Development (MLHRD). Across these ministries, the project was managed by nine successive Permanent Secretaries. These changes compounded other delays in implementation because the counterpart funds were part of each ministry's budget and did not transfer to the newly responsible agency; as a result, project implementation was sometimes held up until the next budget year. In the Bank, task management changed three times.

3.18 Implementation of the VTP accelerated toward the end of the project. During the first phase when the program was implemented in 19 districts, 11,494 vouchers were issued within two years; during the second phase when the program was implemented nationwide, 26,967 vouchers were issued in the same time period. In the final extension phase of the project, only 419 vouchers were issued.

4. Achievement of Outcomes

4.1 This section focuses on the achievement of outcomes in three key areas: MSE performance, the development of markets for training services, and the policy and institutional environment. A detailed list of output targets, achievements, and actual costs is contained in Annex C. The methodology and results of the OED survey are contained in Annex D.

MSE Outcomes

4.2 **Coverage and participation.** Data from MLHRD shows that nearly 35,000 MSEs received training, compared to the project's officially revised target of 32,000.⁹ This amounts to 2.7 percent of the estimated 1.3 million Jua Kali enterprises in Kenya, and 20 percent of the estimated 172,000 manufacturing sector Jua Kalis.

4.3 OED's survey of trainees provided information on the characteristics of MSEs that participated:

- 57 percent were female (similar to the ICR estimate of 60 percent), almost three times the project's target of 20 percent.
- Consistent with the large participation by women, the sectoral composition of trainees was concentrated in sectors dominated by female workers, including textiles (66 percent) and agro-processing (21 percent).
- About half of trainees had not received any training before the VTP. The most important reason (48 percent) was that they felt that training was too expensive.

9. Because of the unavailability of project data in MLHRD, OED was not able to confirm the number of beneficiaries.

4.4 Although a majority (67 percent) of trainees reported that they were sole proprietorships, it appeared that a large proportion of these were students who were taking courses with the expectation of employment. This suggested that the VTP was used to some extent as a mechanism to support pre-employment vocational training rather than to upgrade the skills of existing MSEs. Interviews with trainees and training providers suggested that the degree of motivation of the students was mixed: because of the large subsidy, many MSEs took training for which they had no immediate use. Due to the late start of the program, it was not marketed adequately, resulting in lower participation in rural areas.

4.5 **MSE performance.** Four out of five trainees reported that the relevance and quality of the training they received under the VTP was good or excellent. There were many "success stories" of trainees that used their newly-acquired skills to expand or diversify their business or start a new business (Box 1). Trainees surveyed reported that they improved the quality of their product (43 percent), introduced a new product or service (71 percent), increased sales (66 percent), or found new markets (58 percent).¹⁰ A lower proportion (20 percent) reported that they enjoyed easier access to credit after receiving training.

4.6 Interviews with trainees and training providers suggested that improvements in performance were greatest for existing MSEs that had specific training needs, knew what they wanted, and had market opportunities to enable them to profit from using their new skills. For trainees that were not employed or who had not yet started a business, the impact of the VTP was lower. And for those trainees that were brought into the VTP by a training provider and who chose to participate because of the low voucher co-payment, the impact was even lower.

4.7 At the sectoral level, the performance impact of training was greatest in agro processing (e.g., baking), chemicals (soap, medicinal plants), textiles, handicrafts, and information technology (particularly hardware). There was less impact (and lower participation) woodworking and metalworking, where product markets were less dynamic.

4.8 Trainees reported two other factors that lowered the potential impact of training: the need for tools and other materials (particularly in auto repair and other metal working), and lack of access to credit to start or expand a business. This barrier might have been lessened if the MSETTP's microfinance component had been fully implemented (see below). Finally, the short-term nature of the training provided under the VTP meant that graduates were not given certificates typical of longer courses. Many trainees reported that the lack of certification prevented them from finding employment.

10. The sample of trainees was not selected randomly (see Annex D); many of the participants were invited by their training providers or by regional representatives of the MLHRD. This may have introduced a positive bias in the results, suggesting that they should be interpreted with caution.

Box 1: Case Studies of Trainees

Margaret Muiru of Ja-Khline Enterprises in Nairobi makes soaps and detergents and sells new clothing and leatherware made by others. Ms. Muiru has a university degree in social work, and she was unemployed before the VTP. With her voucher, she took a course in soap and detergent making. The course was 10 hours per week for 12 weeks. Today, soap and detergent making is her main business and source of income.

Naiomi Wasuule owns a garment making business. She has a knitting machine and does decoration and hand work as well. Ms. Wasuule was a home science teacher at a school for hearing-impaired girls in Western Kenya when she learned about the VTP from an allocating agent. Using the voucher, she arranged with the sewing teacher at the school to give her private lessons in the evening and on weekends in dress making and sewing machine repair.

The skills she learned allowed her to start a business upon retirement. It also opened her eyes to new ways of learning, and she has since paid for and attended courses in tie and dye, sewing of food warmers, civic education, and HIV/AIDS awareness.

4.9 Two tracer studies were conducted under the project that compared changes in performance of trainees with that of a control group. These studies provide more reliable information on the impact of the VTP on MSE performance because they deal with the counterfactual, i.e., what would have happened to MSE performance in the absence of the VTP. The studies showed that the VTP improved profits, sales, and investment in a significant proportion of trainees, relative to a control group. It also encouraged the start-up of new businesses, particularly by women. The 2001 tracer study noted that 80 percent of trainees reported growth in their business (as against 13 percent in the control group), and 61 percent had added business assets (versus 21 percent in the control group). Thus the VTP had a positive, significant impact on MSE performance.

Training Market Outcomes

4.10 **Performance of training providers.** As with the trainees, there were stories of training providers that benefited from the VTP (Box 2). The program encouraged some training providers to expand their training business (38 percent reported using their VTP revenues to improve their training business). A significant proportion of providers (26 percent) used the training program as a means of expanding their other business, either through the contacts made through the program, or by investing some or all of their training revenues in their other business.

4.11 Some training providers reported that, by training others in the skills they used in their own businesses, they created competition for themselves that had a negative impact on their business. In fact, some went out of business completely because of increased competition from their trainees. This raises the issue of the impact of the VTP on markets for products that used the skills: the newly-trained competitors may have merely replaced existing suppliers, or may have increased the supply of a product with

inelastic demand (say, car repair), thus lowering the profits and wages of all owners and workers in the industry.

4.12 For some training providers, the revenues they received under the VTP were quite large, and because payments were delayed they became a "windfall" available for large purchases. For many, this allowed large personal expenditures such as real estate and university fees for their children.

Box 2: Case Studies of Training Providers

Joram Onega, 71 years old, started his own metal workshop in 1975 after working for a number of years as a panel beater with Marshall's Motors in Nairobi. Onega Metal produces hayforks, rakes, steel windows, watering cans, condom dispensers, dustbins, and exhaust pipes. He has been providing training through the apprentice system since he opened his workshop, and currently has six apprentices.

Under the VTP, Mr. Onega trained 20 young men supported by vouchers. Redeeming the vouchers was a long and tedious process. He traveled to Nairobi ten times, on a bus trip of eight hours each way, attempting to claim his fees. When he was told that his records were "lost", he refused to pay a bribe to have his file located and instead went to court to have his photocopies certified as originals.

Despite these problems, Mr. Onega was happy that he participated in the project, believing that his association with the World Bank brought him more business.

Caroline Ndunge Nzioka started her agro-processing business in 1993 and became a trainer in the VTP in 1998. She received over Ksh 780,000 (US\$11,143) over the two and a half years she participated in the program, and used the funds to buy a juice extractor for her business. The rest was used for a plot costing about Ksh 180,000 (US\$2,571) and for paying university fees for her children.

Ms. Nzioka believes that she improved and diversified her agro-processing business as a result of her involvement with the VTP. Before the VTP, her customers were mainly small kiosk owners. She has since expanded her business and is supplying supermarkets in Machakos. Before the project, she provided on-the-job training, but now she is operating the Start Technical Training Institute in Machakos. The Institute charges about Ksh 3,500 (US\$50) for a typical 80-hour course in agro-processing (making juices, jams, tomato sauce, and baked goods).

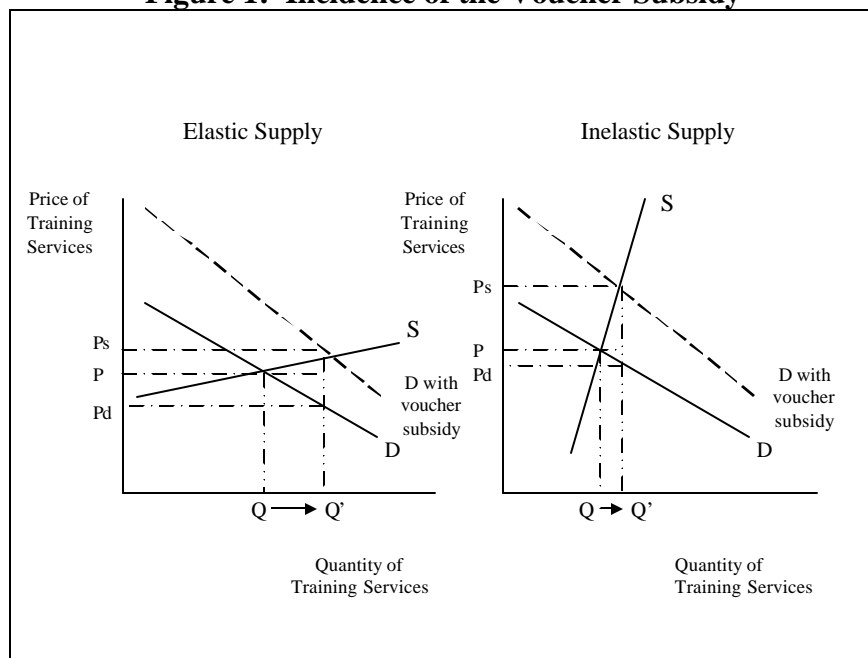
Susan Kambua Mutunga, Muwika General Products in Mombasa, began training students in textiles skills in 1991 and participated in the VTP during 1997-2002. She trained about 160 students over the five-year period. With the Ksh 1.5 million (US\$21,429)) she earned under the VTP, she purchased a workshop and equipment (Ksh 790,000 or US\$11,285) and a house for her family (Ksh 300,000 or US\$4,286). These payments were delayed, so Ms. Mutunga took out a loan from K-REP.

Since the VTP ended, Ms. Mutunga has opened a polytechnic school in Makueni and has trained 40 students, charging Ksh 12,000 (US\$171) for an eight-week course. She is planning to start another school in Mutito Adei in May 2005.

4.13 **Incidence of the subsidy.** OED interviews and survey data provide information on the incidence of the subsidy during the operation of the VTP. The incidence of the subsidy refers to the share of the subsidy received by trainees (the demand side) versus training providers (the supply side), which in turn are determined by the elasticities of demand and supply, not by the initial allocation of the subsidy.

4.14 To explain this concept, Figure 1 illustrates the effect of a demand-side subsidy such as vouchers on the market for training services. The voucher scheme shifts out the demand curve for training, resulting in the purchase of $(Q' - Q)$ additional services. If the supply of training is fairly elastic -- because there is a fairly competitive supply from training providers -- the voucher scheme increases the volume of services purchased with little or no impact on training fees. This is shown in the graph on the left, where the increase in fees received by trainers is shown as an increase from P to P_s . But if the supply of training services is inelastic -- as might occur in a less well-developed market for MSE training -- the main effect of the voucher scheme is to raise the price of training significantly, with a small impact on the amount purchased (the graph on the right).

Figure 1: Incidence of the Voucher Subsidy



4.15 Figure 1 illustrates the idea that the “incidence” of the subsidy -- the share of the subsidy ultimately received by the demanders (MSEs) versus suppliers (training providers) -- depends on the elasticities of demand and supply, not on who initially receives the subsidy. If the supply of training services is relatively inelastic, most of the subsidy $((P_s - P) \times Q')$ is captured by training providers, and only a small share $((P - P_d) \times Q')$ is received by MSEs.

4.16 The OED survey results suggest that this, in fact, was what happened in the VTP: a large share of the subsidy was captured by the training providers rather than the trainees. The median hourly cost of training charged by existing training providers increased from Ksh 9 before the VTP to Ksh 92 during the VTP (Figure 2), indicating that training providers were able to significantly increase their prices and capture the subsidy. In terms of stimulating the demand side of the market, this suggests that the program was very expensive (not efficient) for the results it achieved.

4.17 **Quantity and quality of training.** According to the National Association for Technology Transfer and Entrepreneurial Training (NATTET), of the 100 to 150 training providers that were active in the VTP, about 15 are still involved in training, sometimes providing training in a scaled-down format (e.g., one week instead of two). They suggested that the majority shifted back to their previous or other business. Of those that stayed, some went into different types of training such as pre-employment training rather than training of Jua Kali entrepreneurs.

4.18 However, most of the training providers surveyed by OED (91 percent) reported that they were continuing to provide training services. At the same time, a similar proportion (93 percent) had provided training before the VTP. Most said that the type, duration, and price of training they provided after the VTP were similar to the type, duration, and price before the VTP. The shift toward shorter courses that had taken place during the VTP seemed to have been reversed, as some training providers reported shifting back to longer courses, and away from formal courses toward apprenticeships. Thus it appeared that the VTP did not create a sustainable post-project increase in the supply or design of training courses.

4.19 The Technology Development component of the project provided funds for training of trainers. According to the MLHRD, 1,275 clients were trained or received subsidies for business development services; the number of clients was not broken down into training providers and others. One of the tracer studies found that the objectives of this component were met and that it played a role in enhancing information exchange and business networks among MSEs. However, interviews conducted by OED found that most of the large companies selected to participate withdrew, and that few of the training providers surveyed had received training.

4.20 A recent donor report on East African experiences with business management assistance¹¹ suggested that few businesses in Kenya were aware of the registry of training providers held by NATTET, and those that were expressed considerable skepticism as to its usefulness and the quality of those enrolled in it. Since formal certification did not guarantee quality during the VTP, the report claimed that MSE clients still face the time-consuming task of vetting the providers in the list. The report suggested that the VTP had worsened the prospects for serious, competent local consultants since it is now more difficult for prospective clients to determine competencies among a much larger number of would-be providers.

12. Christy, Ralph D. and Jeffrey C. Fine, "Overview of Business Management Assistance and Linkage Strategies: East African Experiences." ProVenEx Fund, Rockefeller Foundation, August 2004.

4.21 **Willingness to pay.** Based on interviews with 23 trainees and 22 training providers, an impact evaluation conducted for the ICR concluded that sustainability was likely because of a stated increase in the willingness to pay by MSEs as well as a stated increase in the willingness of providers to adjust courses and prices to meet demand.¹² However, responses to hypothetical transaction (contingent valuation) questions are notoriously inaccurate predictors of actual willingness to pay. Based on OED survey data, Figure 2 shows the frequency distribution of training fees (on a per-hour basis) before, during, and after the VTP, as reported by training providers that were active in all three periods.

4.22 The charts show that the VTP shifted the distribution of training fees to the right, but that the shift was almost completely reversed after the VTP. The median hourly fee for training was Ksh 9 per hour before the VTP, Ksh 92 during the VTP, and Ksh 13 after the program ended. The increase in hourly fees during the VTP was partly due to the nature of the training delivered (shorter and more formal courses, as opposed to longer apprenticeships), but the increase in fees was apparent even for courses of similar type and duration. These results suggest that the VTP did not have a sustained impact on the willingness to pay for training.

4.23 Finally, some interview information indicated that the VTP had a negative impact on willingness to pay because MSEs came to expect that training would continue to be subsidized in the future. Indeed, most trainees expressed strong interest in a follow-on project to the MSETTP, particularly if it were accompanied by a credit component.

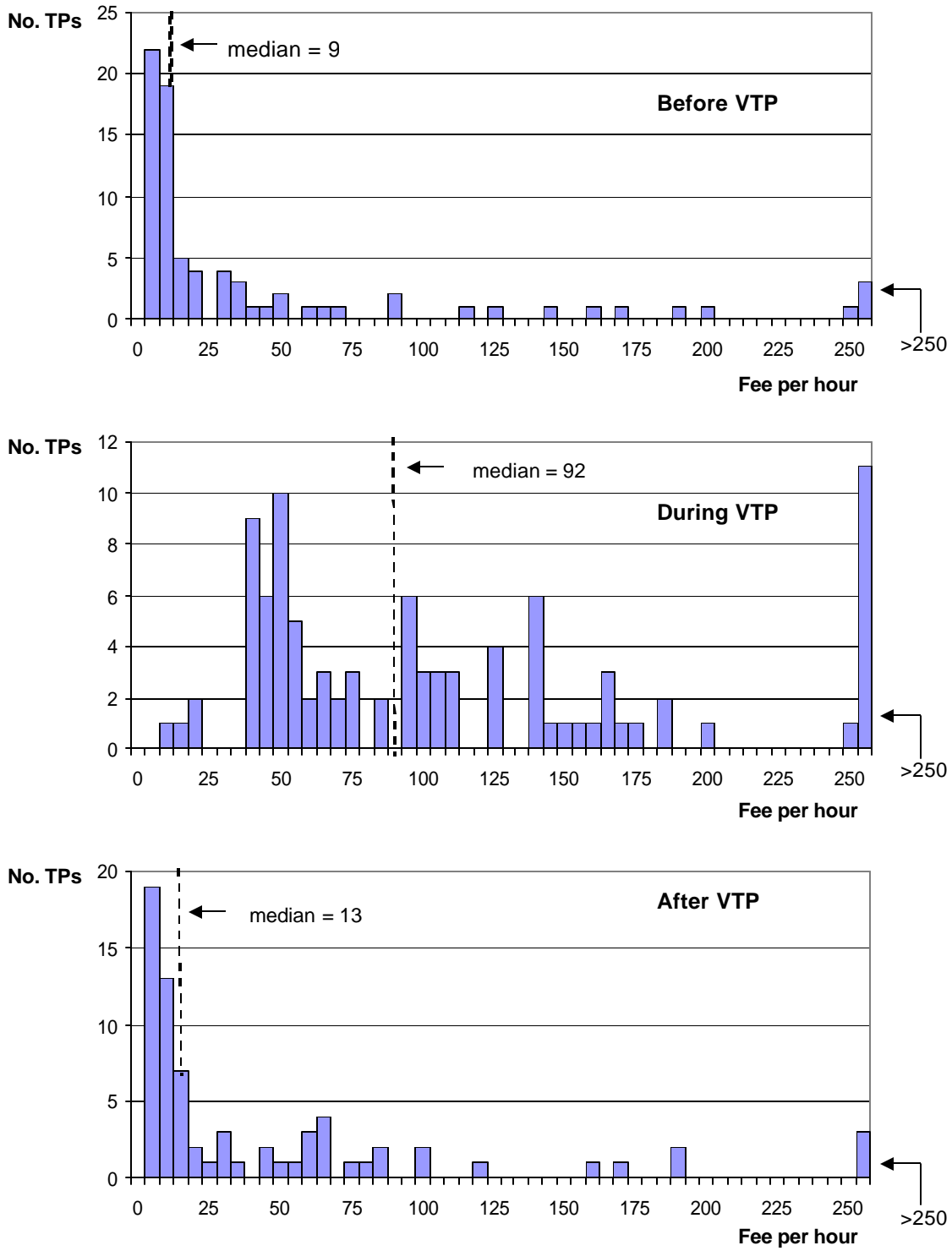
Policy and Institutional Outcomes

4.24 In addition to the VTP, the project contained components that addressed policy and institutional constraints to MSE development:

- reforms to the legal and regulatory environment affecting MSEs, such as the removal or simplification of barriers to entry, operation, and exit; barriers to land access by Jua Kali operators; building standards; and other business regulations.
- formulation of a National Training Strategy.
- a pilot infrastructure program to provide MSEs with infrastructure needs in production areas.
- assistance to Jua Kali Associations in getting training and in forming Savings and Credit Cooperatives (SACCOs).
- capacity building in organizations serving the MSE sector, including Jua Kali Associations and the NFJKA.
- capacity building in the implementing agency (MRTT&T and subsequently MLHRD) to improve strategy formulation, policy analysis, and monitoring and evaluation.

13. David Phillips, "Development Impact Study of the Training and Business Development Services Voucher Program." Prepared for World Bank Africa Region Private Sector Group, May 16, 2003.

Figure 2: Training Fees Before, During, and After the VTP



4.25 Some of the institutional objectives were fully achieved or partially achieved. Training and technical assistance to MLHRD resulted in the creation of a department for MSE development responsible for monitoring the performance of the MSE sector, coordinating MSE policies and projects, and evaluating donor programs related to MSEs. The Ministry's District and Provincial Applied Technology Officers, who played an important role in the project, continue to play an active role in MSE development at the local level.

4.26 The monitoring and evaluation component was highly successful during the operation of the project. Four monitoring and evaluation studies were conducted by local consultant firms, including two tracer studies that compared outcomes for participating trainees with a control group. Project data on training providers and trainees has not been maintained by the MLHRD for further follow-up and impact evaluation (although not specifically required by the Bank more than two years after project closing).

4.27 Other policy and institutional objectives were less successful, particularly those relating to microfinance, infrastructure, and the enabling environment:

- 54 SACCOs were formed, but only 13 started operations. Seventy-nine officials from 16 SACCOs participated in capacity-building activities under the project. However, OED interviews with trainees suggested that few were aware of these SACCOs and that lack of access to credit was still the primary obstacle for MSE growth.
- Contracting for work sites under the infrastructure component began after the 1998 restructuring of the project, but suffered delays due to difficulties in obtaining secure land titles for the Jua Kali Associations. The component was eventually dropped when it became clear that construction could not be undertaken before project closure.
- The submission of seven draft bills to Parliament, reforming the legal and regulatory environment for MSEs, was a condition of disbursement. A year after effectiveness, appropriate revisions had been made to four laws. The failure to complete the policy agenda was one factor that led to dropping of the infrastructure component and restructuring of the technology development component.

4.28 The impact of the project on Jua Kali Associations and the NFJKA was mixed. As allocating agents in the VTP, the Jua Kali Associations played a role in linking MSEs with training providers. They also played a role in the project's efforts to increase access to microfinance and infrastructure. At the same time, they suffered some reputational damage as a result of the mismanagement of funds and alleged corruption associated with the VTP (see below). And because the VTP created such large incentives for groups to form to become allocating agents, many of the Jua Kali Associations were simply groups of individuals that did not act in the interest of the MSEs they supposedly represented.

4.29 The NFJKA was initially to play a role in the project, but political infighting early in the project led to their exclusion from the Project Board. In the end, the

NFJKA's relationship with the Jua Kali Associations, as well as its role in the implementation of the project, were unclear.

4.30 In hindsight, the Bank took too much for granted with respect to the governance structure of the Jua Kali Associations and the NFJKA. Better governance and representation by these organizations -- for example, through regular elections of their leaders -- should have been a condition for their participation in the project.

5. Financial Management

Delayed Payments

5.1 One of the most frequently cited problems that plagued the VTP was the delay in payments on voucher claims submitted by training providers to the implementing agency (MLHRD). This problem was cited in an in-depth review of project processes carried out by Price Waterhouse Coopers during project implementation,¹³ as well as by a large majority of training providers that participated in the OED survey. Most survey respondents waited between three months and two years to receive payment. One-third of training providers reported that they never received any payment. Payment delays were also reported by some allocating agents, who were to receive three percent of voucher value to compensate them for administrative costs associated with the VTP. Some allocating agents reported payment delays of up to three to four years. OED was unable to obtain data from MLHRD to support or contradict the survey and interview information.

5.2 Several possible reasons have been advanced to explain the payment delays:

- successive changes in the ministry responsible for project management, without accompanying transfer of budgets.
- inadequate counterpart funds provided by the Government, sometimes due to allocation to higher-priority uses.
- multiple procedures required to verify and issue payments.
- improper or fraudulent claims by the training providers that eventually resulted in nonpayment.
- alleged corruption by officials along the chain of approval and issuance of payments.

5.3 Eighty-seven percent of training providers in the OED survey said that the delays in payments had affected their business -- either their training business or their other business. Typical of the feedback received are the quotations in Box 3.

5.4 Ironically, payment delays had a positive impact for some training providers: it was a mechanism of forced saving. When payments did arrive, they often provided

13. Price Waterhouse Coopers (2002). "The World Bank -- Kenya: In-Depth Review of MSETTP with Special Focus on Voucher Training Programmes." November.

significant sums for investment or consumption. Survey information suggests that training providers used the voucher reimbursements for both business and personal uses. Although there were many stories of expenditures on personal real estate, school tuition for children, and other personal expenditures, the OED survey indicated that more training providers used some or all of the voucher reimbursements to invest in their training business (38 percent) or in their other business (26 percent) than for personal expenditures (19 percent).

5.5 Delays in payments were a well-known problem that reportedly demoralized many training providers and created a reputational issue for the Bank. In addition, awareness of the problem caused many potential trainers -- including some of the most qualified ones -- to decide not to participate in the VTP.

Payment Irregularities and Allegations of Corruption

5.6 Evidence from OED interviews suggested that the VTP's large subsidy, multiple procedures, and weak oversight created an environment conducive to payment irregularities and corruption. According to OED survey data and anecdotal evidence from field interviews, the alleged abuses were said to have taken many forms:

- In order to get clients, some training providers were said to have paid the 10 percent trainee contribution. This problem was reported by a large number of interviewees but not verified by the survey data: only 12 percent of trainees admitted that their contribution had been paid by a training provider.¹⁴
- Some trainees were said to have been recruited by training providers to go to the allocating agent and select them; in return, the provider would pay the trainee contribution.
- Some training providers were said to have paid the allocating agent to get trainees assigned to them.
- "Briefcase trainers" (unqualified training providers) were said to have done what it took to get registered, but the quality of their training was never checked.
- Bribes were said to have been paid by training providers to allocating agents (or by providers to trainees) to obtain certification that training took place, when it did not.
- Some trainees were said to have sold their vouchers to training providers, and then the provider would obtain a higher-value voucher payment (even though training had not taken place).
- Some training providers were said to have paid bribes to MLHRD officials in order to receive their payments, or receive them sooner. Political connections were also said to have been used.
- Some allocating agents were said to have helped trainees take courses that were not intended to be supported by the project (e.g., driving lessons, taken under the guise of motor vehicle repair).

14. A similar number of training providers (less than 10 percent) were found to have paid the trainee contribution in the Price Waterhouse review.

5.7 Some of these irregularities (e.g., payment of the trainee contribution by the training provider) were not illegal, but ran contrary to the intended operation of the voucher scheme. Other alleged abuses (paying bribes to government officials) would have been illegal. Some of those interviewed suggested that problems arose because too many people were involved in a cash-based system. Since the VTP was so profitable for training providers, the program tended to be driven by the suppliers of services rather than being "demand-driven".

Box 3: Impact of Delayed Payments on Training Providers

Most of the 107 training providers interviewed for this evaluation reported long delays in payments for vouchers they turned in to the MLHRD for reimbursement after they had provided training. Respondents reported the following problems:

Indebtedness:

- *"It distorted my business. I had to use my metal business sales fund to buy training material. I also got credit from my family to continue training."*
- *"I had to take out loans to pay for rent and materials."*
- *"I was never paid, and as a result I have to borrow at a high rate to keep my business going."*
- *"I exhausted my savings. I borrowed heavily to finance the course. Training providers were losing hope because of the long delays."*

Cash flow:

- *"It messed up my projections. I had deficits. Some smaller training providers had to close their businesses."*
- *"It affected my financial stability and cash flow."*
- *"The business could not expand and there were many delays in paying the bills."*

Time and travel cost:

- *"I had to spend time and money to keep traveling to Nairobi."*
- *"A lot of time was wasted away from the business while chasing the payments, the cost of borrowing money from other sources. Eventually the training business collapsed."*
- *"The trips to Nairobi to follow up on payments were frustrating due to time and money spent on transport and accommodation."*

Low morale:

- *"It affected my interest and enthusiasm in the program."*
- *"It created a bad relationship with part-time teachers."*
- *"I was demoralized. I lost money because training was provided and very little payment was received."*
- *"I decided to end training due to non-payment and went back to apprenticeships."*

5.8 The ICR reports that in March 1999, when the project was under the control of the Office of the President, five staff in that office were charged with attempted fraud after they tried to divert project funds into an account in the name of a fake training provider. This attempt was intercepted by the Central Bank and all project funds were frozen for nine months. Besides damaging the credibility of the project, the suspension of disbursements caused further delays because of the budget-year delay in transferring project funds to the MLHRD, which took over management of the project.

5.9 An in-depth review of MSETTP systems and processes conducted in June 2002 by Price Waterhouse Coopers found both strengths and weaknesses. The strengths included high levels of compliance with operational and procurement processes. The weaknesses were the delayed payments, weaknesses in the MIS systems, and lack of transparency in the claims settling process (e.g., apparent selective payments).¹⁵

6. Ratings

6.1 **Outcome.** The overall objective of the MSETTP -- enhancing entrepreneurial development and increasing employment in the informal sector -- was highly relevant to Kenya's development needs at the time. An impressive number of MSEs received training under the VTP, a notable achievement. But the ability of the trainees to take advantage of their newly-acquired skills was limited by infrastructure and financing constraints that could have been reduced if the other components had been successfully implemented. The long-run impact of the project on markets for training services appears to have been modest, as many training providers returned to their previous activities once the VTP subsidies ended. The delays in implementation and the excess subsidy provided under the VTP resulted in low cost-effectiveness, so that the efficiency of the project is rated negligible. Taking into account the relevance, efficacy, and efficiency of each of the three project objectives (Table 1), overall project outcome is rated **Moderately Unsatisfactory**.

6.2 **Institutional Development Impact.** The project put in place a monitoring and evaluation system that was well ahead of most similar projects at the time, producing semi-annual and annual reports of good quality. It also tested a new instrument -- training vouchers -- that, if better implemented, could be used to extend the coverage of business development services to MSEs. However, the project's contribution to capacity and governance in the organizations involved in the project (government ministries, Jua Kali Associations, the National Federation of Jua Kali Associations, and the National Association of Technology Transfer and Training) was minimal. Indeed, the project was plagued by allegations of corruption, undermining the reputation of these organizations. The Institutional Development Impact of the project is therefore rated as **Modest**.

15. Price Waterhouse Coopers (2002). "The World Bank -- Kenya: In-Depth Review of MSETTP with Special Focus on voucher Training Programmes." November.

Table 1: Ratings for Project Objectives

Objectives	Relevance	Efficacy	Efficiency
Develop and implement policies to establish an enabling environment for entrepreneurial development	High	Negligible	Not Applicable
Provide access to skill training and appropriate technology for MSEs, and facilitate technological innovation in the MSE sector	Substantial	Substantial	Negligible
Improve the operational and managerial capacity of institutions and programs that support the sector's development	High	Modest	Not Applicable
Overall ratings	High	Modest	Negligible

6.3 **Sustainability.** For those trainees and training providers that benefited from the VTP, the sustainability of benefits is likely. However, since the market development impact of the project on markets for training services was modest, the sustainability of increased training provided under the project is unlikely. On balance, the sustainability of the project is rated **Unlikely**.

6.4 **Bank Performance.** Quality at entry was rated unsatisfactory due to insufficient knowledge of the training market into which the VTP introduced subsidized services, and insufficient clarity as to the management structure and governance of the project. In addition, the Bank seemed to ignore the concerns of the broader donor community in Kenya at the time. The poor quality of entry had major implications for project effectiveness and implementation. Bank staff made a very strong effort to refocus the project in 1997, and tested an innovative approach to building markets for business development services that was emerging in the donor community. They also shared the knowledge gained during and after the project, both within and outside the Bank. Although the Bank's project supervision improved, it was unable to raise project outcome into the satisfactory range. Therefore, overall Bank Performance must be said to have been moderately unsatisfactory. Since that rating category is not available at this time, Bank Performance is rated **Unsatisfactory**.

6.5 **Borrower Performance.** The project suffered from shifting management among four Ministries, delays in effectiveness and implementation, attempted fraud, alleged corruption associated with the allocation and reimbursement of vouchers to VTP participants, and delays in payments to training providers and allocating agents. The Government's failure to fulfill all conditions relating to the enabling environment was the main factor that led to the cancellation of the infrastructure component and the partial implementation of the technology component. Overall, Borrower performance was **Unsatisfactory**.

7. Lessons

7.1 **Understand the market.** The performance of the project showed the importance of understanding the conditions in the market before designing an intervention -- one of the guiding principles of the market development approach to business development services. The nature of market failures (if any) should guide the decision whether to intervene at all, and if so, whether to intervene on the supply side or the demand side of the market. Existing providers of services and the types and quality of services they offer should be identified -- including "hidden" service delivery mechanisms that are informal or bundled with other products or services. Without a clear understanding of existing BDS markets, interventions are likely to be more distortionary than developmental, and may displace existing providers in the market. Market assessments should be carried out as part of the economic and sector work that underpins project design.

7.2 **Understand institutional constraints.** Institutions also should be assessed before the project is designed. In the MSETTP, project implementation was handicapped by a lack of capacity in the Ministries, a poor system of control of funds, governance issues in the Jua Kali organizations, and unclear relationships between them and the Government. Similar to the necessity of a market assessment, an institutional assessment should be done prior to project design to identify these issues.

7.3 **Choose the least-cost intervention.** Once the market failure has been identified, alternative instruments to remove or compensate for the market failure should be identified, and the least-cost method chosen. For example, if MSE demand is constrained by a lack of knowledge of the benefits of upgraded skills, possible interventions could include the provision of information through advertising or networking with other MSEs, or subsidizing the initial purchase of training. The project could have stimulated MSE interest in training using a lower-cost method than vouchers.

7.4 **Be sparing with the subsidy.** It is important not to over-subsidize the service, both to avoid distorting markets and to limit the incentive for corruption. In the long run, subsidies are justified for goods or services that have public good characteristics; the subsidy should reflect the social benefit (externality) associated with consuming the service, not the private benefit. In the short run, a higher subsidy may be justified to spur market development. However, the subsidy rate is often chosen "out of the air", and it is easy to over-subsidize. Large subsidies can under-cut existing providers that are attempting to sell services on a commercial basis, can create expectations on the part of beneficiaries that services should be and will be subsidized in the long run, can inhibit innovation in low-cost service delivery mechanisms, and create incentives for a variety of players to take their "slice of the pie". None of these results are favorable to the development of sustainable markets for commercially-provided services.

7.5 **Don't make the subsidy the centerpiece of the project.** There are likely to be many factors that restrict MSEs from upgrading their skills, putting them to use, and reaping the benefit in terms of improved enterprise performance. It is important to operate in several areas, limiting the importance of the transactional subsidy and reducing

other constraints -- infrastructure, financing, and product demand -- that may reduce the project's impact.

7.6 Favor private sector management. Based on the experience with public sector management of MSE projects, the current generation of these projects tends to use private sector firms or NGOs to manage project implementation and funds. Clear performance indicators and incentives should be established.

7.7 Allow time to learn from the pilot phase. The VTP was an innovative and therefore high-risk program. Such a project needs to be piloted on a small scale before being scaled up to the national level with large numbers of players (and funds) involved. The testing phase should be long enough to get management and governance issues right and to determine the appropriate amount of subsidy.

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Annex A. Basic Data Sheet

KENYA MICRO AND SMALL ENTERPRISE TRAINING AND TECHNOLOGY PROJECT (CREDIT 2596-KE)

Key Project Data (amounts in US\$ million)

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
IDA Credit	21.83	11.40	52.0
Government/JIKA	2.40	0	0.0
Cancellation	-	7.26	0.0
Total project cost	24.23	11.40	47.0

Cumulative Estimated and Actual Disbursements (US\$ million)

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
Appraisal estimate	0.0	1.0	3.6	7.5	11.7	15.3	18.9	21.8	21.8	21.8	21.8
Actual	0.0	0.2	1.8	2.5	3.1	4.5	5.3	6.3	9.2	11.4	11.3
Actual as % of estimate	0.0	20.0	50.0	33.3	26.5	29.4	28.0	28.9	42.2	52.3	51.8
Date of final disbursement: December 10, 2003											

Project Dates

	<i>Original</i>	<i>Actual</i>
Initiating memorandum		July 20, 1992
Appraisal		May 25, 1993
Board approval		April 5, 1994
Effectiveness	May 25, 1994	November 28, 1994
Mid-Term Review	January 1, 1999	
Closing date	December 31, 2001	December 31, 2002

Staff Inputs (staff weeks)

	<i>Actual/Latest Estimate</i>	
	<i>N° Staff weeks</i>	<i>US\$US\$('000)</i>
Identification/Preparation	n/a	n/a
Appraisal/Negotiation	n/a	n/a
Supervision	n/a	1222.4
ICR	n/a	n/a
Total	478.7	1224.4

Mission Data

	<i>Date (month/year)</i>	<i>No. of persons</i>	<i>Specializations represented</i>	<i>Performance rating</i>	
				<i>Implementation status</i>	<i>Development objectives</i>
Identification/Preparation	April 30, 1993	5	Education Specialist (4), Economist		
Appraisal/Negotiation Supervision	January 1, 1994	5	Education Specialist (4), Economist		

	<i>Date (month/year)</i>	<i>No. of persons</i>	<i>Specializations represented</i>	<i>Performance rating</i>	
				Implementation status	Development objectives
Supervision 1	May 24, 1994	5	Education Specialist (3), Information Management Specialist, Economist	S	S
Supervision 2	February 17, 1995	6	Sr. Financial Audit Advisor, Sr. Procurement Specialist, Sr. Implementation Specialist, Education Specialist (2), Economist	S	S
Supervision 3	July 29, 1995	4	Training/Human Resource Specialist, Training Fund Specialist, Education Specialist, Economist	S	S
Supervision 4	November 8, 1995	6	Training/Human Resource Specialist, Training Fund Specialist, Implementation/Proc Specialist, Education Specialist, Economist	U	S
Supervision 5	March 22, 1996	6	Training/Human Resource Specialist, Financial Specialist, Implementation/Proc Specialist, Voucher Program Specialist, Education Specialist, Economist (2)	U	S
Supervision 6	July 18, 1996	7	Training/Human Resource Specialist, Implementation/Proc Specialist, Education Specialist, Training Strategy Specialist, Financial Specialist, Participatory Approach Specialist, Economist	S	S
Supervision 7	February 17, 1997	10	Technical Specialist Informal Sector, Private Sector Specialist, Implementation Specialist/Architect, Disbursements, Human Resources Economist, Human Resources Advisor/Vocational Training Specialist, Education Specialist, Economist/Informal Sector Specialist, Financial Specialist, Human Development Economist	S	S
Supervision 8	November 19, 1997	7	Private Sector Specialist (2), Disbursements, Education Specialist, Economist/Informal Sector Specialist, Procurement Specialist, Private Sector Specialist	S	S
Supervision 9	July 17, 1998	4	Team Leader, Lead Specialist, Education Specialist, Procurement Specialist	S	S
Supervision 10	February 16, 1999	4	Team Leader, Lead Specialist, Education Specialist, Procurement Specialist	S	S
Supervision 11	May 24, 1999	2	Task Manager, Education Specialist	S	S
Supervision 12	August 15, 2000	2	Task Team Leader, Lead Specialist	S	S
Supervision 13	March 4, 2001	3	Task Team Leader, Consultant	U	S
Supervision 14	April 11, 2002	3	Advisor, Education Consultant, Procurement Specialist	S	S
Supervision 15	October 25, 2002	4	Lead Specialist, Consultant, Procurement Specialist, Financial Management Specialist	S	S

	<i>Date (month/year)</i>	<i>No. of persons</i>	<i>Specializations represented</i>	<i>Performance rating</i>	
				Implementation status	Development objectives
ICR	February 28, 2003	6	Senior Advisor, Private Sector Specialist, Education Specialist, Consultant, Procurement Specialist, Disbursement Specialist	S	S

Performance Rating: S:Satisfactory; U:Unsatisfactory

Annex B. Borrower Comments

In February – March 2005, OED conducted an assessment of the above project which was concluded in the year 2002.

After a thorough study of the draft PPAR report, we have the following comments to make.

There seems to exist great disparities between the findings of the PPAR AND ICR, which were independently carried out by the same bank. (*Principal ratings page V*)

In the preface Para three ‘ The mission appreciated the courtesies and logistical support given by the Ministry of Labour and Human Resource Development’ this contradicts the sentiments expressed in Annex D under *TB sample* that TBs obtained through MLHRD staff would tend to introduce positive bias. The MLHRD staff only assisted in identifying possible TPs who in turn assisted the team in contacting the beneficiaries. The interviews were arranged and conducted without interference from the MLHRD staff.

The summary of beneficiaries and TPs responses on pages 34- 42 and the achievement of outcomes under item 4 on pages 7-11 seems to suggest a more positive rating than that given in the report.

In the summary on Page ix, under Para 4, it is stated that “*Allegations of corruption discouraged some qualified trainers from participating in the programme*” the actual position is that recruitment of Training providers and Allocation Agencies was done through competitive bidding. A reasonable number of prominent Public institutions such as Technical Training Institutes, Youth polytechnics, National Polytechnics, The Nairobi University, Jomo Kenyatta university of Agriculture and Technology and Egerton University participated alongside Private Institutions, Consultancies and Jua Kali Craft workers. However, there were a few credible institutions that did not participate in the project either because they did not apply or because they did not provide certain relevant information required to meet the selection criteria.

In the same summary, para 6, under Institutional Development Impact, it is stated that “*Project contribution to improved governance in the organizations involved in the project was minimal*”. The actual position is that as a result of the MSETTP intervention, the Government of Kenya revamped the then Directorate of Applied Technology leading to establishment of field offices (DATOs/PATOs) countrywide to assist in implementation of the project. The Directorate of Applied Technology has now been converted into a full fledged Department of Micro and Small Enterprise Development while the field offices are still functional carrying out activities similar to those in the MSETTP Project. Experiences from the MSETTP project contributed greatly in preparation of the recently approved sessional paper on MSE development. The Government is now in the process of drafting an MSE bill to regulate the sector.

The payment irregularities and alleged cases of corruption on Page 17 of the report, could be true. It should however be noted that these mainly occurred at the level of Private Sector participants, ie, the AAs, the TPs and the Beneficiaries. Since the design of the Project provided for this kind of implementation arrangement, it should be taken as a lesson learnt that such arrangement for a project of this magnitude was difficult to control.

On Page 15 para 4.27 – The 54 SACCOs were formed at the end term of the Project between 2000 and 2002. It takes a considerable amount of time for the MSEs to mobilize savings and start credit operations. In our view the 13 SACCOs that had started operations represented a good starting trend. In any case it should be appreciated that by the close of the Project, 79 officials from 16 SACCOs had gone through a capacity building process funded by the Project.

On lessons learnt we concur except item 7.6 where we are yet to learn from the ongoing MSECP project.

Our concluding comment is that the MSTETTP Voucher Training programme was a new venture to all the players. Since the report seems to suggest a reasonable amount of good achievements, the overall result should have been outcome – satisfactory and sustainability – likely.

Annex C. Output Targets and Achievements

Component	Subcomponents (as revised)	Output Targets (as revised)	Outputs Achieved
Micro and Small Enterprise Training Fund (appraisal estimate \$11.5 million, revised estimate \$7.5 million; actual \$7.5 million)	Voucher Training Program to subsidize training purchases by MSEs	<ul style="list-style-type: none"> 32,000 trainees 	<ul style="list-style-type: none"> 34,778 trainees (ICR) -- 70 percent in technical areas and 30 percent in management; 60 percent were women
	Contract Training Scheme to provide training to public and private training providers	<ul style="list-style-type: none"> 20 public training providers, 200-300 private training providers 	<ul style="list-style-type: none"> No data available on number of training providers trained
Technology Development and Pilot Infrastructure (appraisal estimate \$5.6 million, revised estimate \$4.6 million; actual \$1.8 million)	Technology and BDS	<ul style="list-style-type: none"> Training, BDS to 1,400 MSEs and Jua Kali Associations 10 sectoral exhibitions planned 	<ul style="list-style-type: none"> 1,275 BDS clients trained, but most of the large companies selected to participate withdrew 4 sectoral exhibitions held
	Microfinance	<ul style="list-style-type: none"> Train 50 Jua Kali Associations to form Savings and Credit Organizations (SACCOs) 	<ul style="list-style-type: none"> 54 SACCOs formed, 13 began operations
	Pilot infrastructure	<ul style="list-style-type: none"> Two sites to be developed 	<ul style="list-style-type: none"> 79 SACCO officials trained
Institutional Development (appraisal estimate \$2.1 million, not revised; actual \$2.1 million)	Organization and Staff Development	<ul style="list-style-type: none"> Enhance the capacity of institutions that support the Jua Kali sector (no specific targets) 	<ul style="list-style-type: none"> Legislative conditions not fulfilled Infrastructure component dropped 92 PCO/MLHRD staff trained Capacity building of 105 training providers and 33 allocating agents Courses for Provincial and District Applied Technology Officers not implemented
	Policy Analysis, Monitoring and Evaluation	<ul style="list-style-type: none"> MIS systems for all components Three impact evaluations (tracer studies) planned 	<ul style="list-style-type: none"> MIS systems operational but not maintained M&E system developed Two tracer studies prepared
	National Training Strategy	<ul style="list-style-type: none"> Formulation of National Training Strategy 	<ul style="list-style-type: none"> Not completed

Annex D. OED Survey of Training Beneficiaries and Training Providers

During the February - March 2005 mission, OED conducted a survey of training beneficiaries (TBs) and training providers (TPs) that participated in the VTP. This annex describes the methodology and results of the survey.

Sample Selection

Repeated efforts were made to obtain the database of TBs and TPs that participated in the MSETTP from the MLHRD, in order to draw random samples of TBs and TPs from the database. However, the data was not made available. Instead, various other methods were used to find samples of TBs and TPs.

TP sample. Sectoral directories of the 745 TPs that had been approved to participate in the VTP were obtained. From those directories, a sample of 60 TPs in the five study regions were chosen by picking odd-numbered TPs in those regions. An additional 60 TPs were selected in the same way from sectors and regions with large numbers of TPs. For smaller sectors and regions, the TPs previously skipped were added to the sample.

In addition to the 120 TPs selected from the sectoral directories, other TPs were found from:

- the NATTET membership list.
- the list of TPs interviewed in a previous study.¹⁶
- referrals provided in a meeting of JKA representatives held prior to the mission.
- referrals from MLHRD staff, PATOs and DATOs.
- referrals from other TPs.
- a list compiled by KIRDI, the institution in charge of the technology and BDS component of the MSETTP.

Some of the TPs could not be located, were unavailable during the short mission period, or were unwilling to be interviewed. Some TPs who were not invited showed up at the interview. Many of these came because they had a complaint or hoped to receive payments due. The distribution according to selection method is shown below.

16. David Phillips, "Development Impact Study of the Training and Business Development Services Voucher Program", May 16, 2003.

TP Sample Selection Method	% of sample
Random sample from sectoral directories	24%
Additional random sample from sectoral directories	10%
Referrals from MLHRD staff, PATOs and DATOs	33%
Referrals from other MSETTP participants (AAs, JKAs, TPs, NATTET, KIRDI)	27%
D. Phillips study	4%
Walk-ins	3%
Total	100%

TB sample. An initial attempt was made to randomly select TBs from those listed in directories of AAs, but little contact information was available. Instead, TBs were obtained through their respective AAs and TPs. This would tend to introduce a positive bias in the responses to some questions, e.g., on the quality or usefulness of the program. In addition, a convenience sample was obtained by interviewing church members as they left church on a Sunday (the church had been the location of training courses).

The distribution of TBs surveyed according to selection method is shown below.

TB Sample Selection Method	% of sample
Referrals from AAs and TPs	53%
Referrals from MLHRD	26%
Referrals from business associations	5%
Church sample	13%
Walk-ins	3%
Total	100%

Interview method. Questionnaires were administered face-to-face by a team of Bank staff and local consultants. Most interviews took place at the facilities of larger TPs (e.g., polytechnic institutes) or in MLHRD offices. Interviews were confidential (TBs were interviewed without the presence of MLHRD staff or TPs).

Regional distribution

In total, 182 TBs and 107 TPs were interviewed in five regions: Greater Nairobi (including Nairobi, Athi River, Thika, and Kiambu), Greater Kisumu (including Kisumu, Siaya, and Vihiga), Machakos, Mombasa (including Mombasa and Malindi), and Nakuru. The distribution of TBs and TPs by region is shown below.

Region	TBs	TPs
Greater Nairobi	67	20
Greater Kisumu	27	50
Machakos	30	20
Mombasa	41	8
Nakuru	17	9
Total	182	107

TB Responses to Key Questions

1. Gender of owner

Male	75	41%
Female	99	54%
No answer/not applicable	8	4%
Total	182	100%

2. Ownership

Sole proprietorship	122	67%
Family owned	10	5%
NGO/women's group	22	12%
Employed by other	8	4%
No answer/not applicable	20	11%
Total	182	100%

3. Main products and services

Management	10	5%
Metal products	8	4%
Motor vehicle	9	5%
Agro processing	25	13%
Building	2	1%
Chemical	16	8%
Electricals/electric	13	7%
Leatherworks	1	1%
Textiles	69	37%
Woodworking	2	1%
Handicrafts	4	2%
Other	26	14%
No answer/not applicable	4	2%
Total	189	100%

4. Did you take any training courses or apprenticeships before the VTP?

No	89	49%
Yes	91	50%
No answer/not applicable	2	1%
Total	182	100%

5. If not, why not?

Not available	11	12%
Not useful/relevant	5	5%
Not convenient/ no time	1	1%
Too expensive	48	51%
Other	17	18%
No answer/not applicable	12	13%
Total	94	100%

6. If yes, what type of training?

Formal course	47	57%
Apprenticeship	22	27%
Both	9	11%
Other	9	11%
Total	83	100%

7. If yes, who provided the training?

Private provider	62	74%
Government/donor program	14	17%
Another firm in sector	4	5%
Other	4	5%
Total	84	100%

8. How did you learn about the VTP?

From a TP	47	26%
From an AA or JKA	64	36%
From another firm	4	2%
From an advertisement	13	7%
Word of mouth	35	20%
Other	16	9%
Total	179	100%

9. Did the TP advance your voucher contribution or offer to pay it for you?

No	159	87%
Yes	21	12%
No answer/not applicable	2	1%
Total	182	100%

10. Did you know of other TPs that paid the TB contribution on behalf of their clients?

No	149	82%
Yes	21	12%
No answer/not applicable	12	7%
Total	182	100%

11. How would you rate the relevance of the training received under the VTP to your business?

Excellent	67	37%
Good	73	40%
Fair	16	9%
Poor	7	4%
Other (?)	13	7%
No answer/not applicable	9	5%
Total	182	100%

12. How would you rate the quality of this training received under the VTP?

Excellent	76	42%
Good	69	38%
Fair	15	8%
Poor	5	3%
Other (?)	19	10%
No answer/not applicable	8	4%
Total	182	100%

13. Did you receive a second voucher for a subsequent training course?

No	160	88%
Yes	12	7%
No answer/not applicable	9	5%
Total	181	100%

14. Did you make any changes in your business as a result of the training?

No	32	18%
Yes	141	77%
No answer/not applicable	9	5%
Total	182	100%

15. If no, why not?

Material not relevant to my business	3	10%
Too difficult to implement	1	3%
Too costly to implement	11	38%
Other	3	10%
No answer/not applicable	11	38%
Total	29	100%

16. If yes, what changed?

Improved the quality of my product/service	78	55%
Introduced a new product or service	71	50%
Increased sales	66	47%
Found new markets	58	41%
Invested in new equipment	34	24%
Had easier access to credit	20	14%
Changes product design	40	28%
Changed method of production	37	26%
Increased employment	39	28%
Changed marketing strategy	41	29%
Kept better records/accounts	45	32%
Increased interaction with other businesses	45	32%
Other	34	24%
Total	141	100%

17. Have you taken any other training since the VTP?

No	119	65%
Yes	59	32%
No answer/not applicable	4	2%
Total	182	100%

18. If no, why not?

Not available	12	12%
Not useful/relevant	12	12%
Not convenient/ no time	8	8%
Too expensive	56	55%
Other	14	14%
Total	102	100%

19. If yes, what type of training?

Formal course	33	60%
Apprenticeship	8	15%
Other	2	4%
No answer/not applicable	12	22%
Total	55	100%

20. If yes, who provided the training?

Private provider	25	42%
Government/donor program	19	32%
Another firm in sector	2	3%
Other	1	2%
No answer/not applicable	12	20%
Total	59	100%

21. Please rate the quality and usefulness of this training compared to what you received under the VTP.

Better	22	41%
Worse	8	15%
Same	12	22%
No answer/not applicable	12	22%
Total	54	100%

TP Responses to Key Questions

1. Ownership

Individual	68	68%
Private firm	13	13%
Public institute/other	17	17%
NGO	2	2%
Total	100	100%

2. Did you provide training before the VTP?

No	8	7%
Yes	99	93%
Total	107	100%

3. If yes, how was the training provided?

Formal course	41	42%
Apprenticeship	36	37%
Both	21	21%
Total	98	100%

4. Why did you get involved with the VTP?

Opportunity to use my business to sell another service	20	24%
Opportunity to become a dedicated training provider/earn training income	35	42%
To promote my other business	26	31%
Other	2	2%
Total	83	100%

5. How did you find students?

AA, JKA, or DATO/PATO	72	49%
Advertising/word of mouth	45	30%
Active recruiting	19	13%
Other	10	7%
No answer/not applicable	2	1%
Total	148	100%

6. What did you do with the fees that you earned from the vouchers?

Used to improve my training business	57	38%
Used to invest in my other business	40	26%
Used for personal expenses	29	19%
Other	6	4%
No answer/not applicable	20	13%
Total	152	100%

7. Did you eventually receive payment for all of the vouchers?

No	33	31%
Yes	67	63%
No answer/not applicable	6	6%
Total	106	100%

8. Did the waiting period affect your business?

No	10	10%
Yes	87	84%
No answer/not applicable	6	6%
Total	103	100%

9. Did you continue to provide training after the VTP?

No	10	9%
Yes	97	91%
Total	107	100%

10. If yes, how was the training provided?

Formal course	27	29%
Apprenticeship	51	55%
Both	15	16%
Total	93	100%