Background/Rationale

The Kenyan economy now faces a formidable employment challenge as a result of slow economic growth combined with rapid expansion of population. The GDP growth rate declined to 2.2 percent in 1991. Meanwhile, the labor force is expected to grow at an average rate of about 4.1 percent every year between 1991 and 2000 and over 6 percent in urban areas. It is not possible for the entire labor force to be employed in the formal sector. Recognizing this, the Kenyan Government is actively encouraging workers to participate in the informal sector. One such strategy employed by the government is turning to the private sector to offer training in entrepreneurial and technical skills.

The Bank-funded Kenyan Micro and Small Enterprise Training and Technology Project is born under such macroeconomic and employment context. The long term aims of the project are to enhance entrepreneurial development in the private sector and, more specifically, reduce constraints to employment promotion and income enhancement in the micro- and small enterprise (informal) sector in Kenya.

A major component of the project is the Micro- and Small Enterprise Training Fund, funded at US$11.5 million to cover a training voucher program ($6.1 million) and a contract training scheme ($5.4 million). The component will be directly managed by Project Coordination Office (PCO), under the supervision by the Ministry of Research, Technical Training and Technology (MRT&T).

The Training Voucher Component

The Micro- and Small Enterprise Fund will support the financing of a voucher program to pay for short-term skill upgrading courses and enterprise-based training attachments benefiting entrepreneurs and artisans. This voucher component is a typical case of demand-side financing where funding is entirely demand-driven and individual choice is also respected.

Through contracted allocation agencies, vouchers will be distributed to entrepreneurs in the informal sector each year for the first five years of the program. The program aims to distribute up to 30,000 vouchers, on average 6,000 per year for a period of five years. Vouchers can be used toward training courses from public and private sector institutions and enterprises that provide access to skill upgrading and technology development to the micro- and small enterprise sector. Courses will typically be undertaken on a part-time basis; the full-time equivalent duration of these courses will be 2-6 weeks.

On receipt of their vouchers, the beneficiaries will be provided with a directory of approved training providers. Beneficiaries should take their voucher to their training provider of choice; so long as the training provider has a place available for the trainee, the beneficiary will hand the voucher to the training provider, who then redeems the voucher through allocation agencies after training has been completed and before the voucher expires.

Design of Voucher
The voucher takes the form of a sheet of paper with two perforated counterfoils. One counterfoil is to be retained by the allocation agency, the second counterfoil to be issued to the beneficiary as a receipt when he submits the voucher to the training provider, and the main body of the voucher to be used for redemption by the training provider. All three parts of the voucher will contain a pre-printed serial number. The value of the voucher will also be preprinted. The name of the allocation agency should be stamped on all three parts of the voucher prior to distribution of the vouchers to the allocation agencies. An expiration date will appear on the voucher.

Value of Voucher

The value of vouchers allocated to individuals should be related to the cost of the particular type of training. It is administratively convenient, however, to let each voucher carry the same value. Applicants therefore can receive however many vouchers they require to cover the schedule fee. Each voucher will have a monetary value of 2,000 shillings (US$40).

Trainees are expected to top up the value of vouchers by at least 10 percent as a form of cost sharing. This should be paid by the beneficiaries to the allocation agency once the latter has decided which applicants should receive vouchers. The allocation agency will then take these 10 percent payments along with a list of approved beneficiaries to the PCO, which then issue the vouchers to the allocation agency, and the allocation agency will distribute the vouchers to the beneficiaries.

Application Procedure

Application forms may be obtained from the selected allocation agencies for a fee of 100 shillings (US$2). The application fee is a screening procedure designed to discourage applicants who are not serious in pursuing training.

Selection Criteria

Vouchers will be awarded to all who can demonstrate that they have had an association with their current enterprise for six months or more, and who can provide evidence that they have passed a level III trade test (or equivalent experience). Preferences will be given to women and those with low-income. The remaining vouchers will be distributed through public lottery.

Training Voucher Pilot

While awaiting the recruitment of private contractors to begin implementation of the full-scale project, The MRTT&T is currently introducing a small pilot program to test several design options for the voucher training scheme. The pilot voucher program only covers 2 cities (Nairobi and Machakos). It began in March 1996 and will conclude by the end of the year. During the pilot stage, 600 vouchers will be issued through four allocation agencies; these will be valid for about 12 course types. The PCO will evaluate the impact by periodic collection of data from the training providers concerning the employment status of beneficiaries after completing training, which will feed into a larger management information system that comprises a range of financial and performance indicators of the voucher project.


See also Assessment of the Jua Kali Pilot Voucher Program