



Business Development Services How To Guide

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1 Introduction

1.1 The Problem

Business Development Services (BDS) are generally defined as:

"... services that improve the performance of the enterprise, its access to markets, and its ability to compete. The definition of 'business development service' ... includes an array of business services [such as training, consultancy, marketing, information, technology development and transfer, business linkage promotion, etc.], both strategic [medium to long term issues that improve performance] and operational [day-to-day issues]. BDS are designed to serve individual businesses, as opposed to the larger business community."

(Committee of Donor Agencies for Small Enterprise Development, 2001)

Following the initial process of economic, social and democratic transition, various international organizations and donors such as UNDP, EC, US AID, DfID, GTZ, etc. became active in establishing BDS in the European and the Commonwealth of Independent States (CIS) regions. In the absence of government intervention in an area which is widely recognized for exhibiting various market failures, BDS programmes and projects spread rapidly throughout these regions.

UNDP has been one of the key players behind the spread of BDS. Key areas of on-going intervention include the following:

- Business support centres (BSC).
- Local economic development initiatives (LED).
- Business incubators (BI).
- Information and communication technology centres (ICT), etc.

The above deal with various aspects of BDS, although the mechanism employed to deliver BDS is typically a business support centre (BSC). In certain cases, a BSC may include elements of LED, BI and possibly ICT. This How to Guide or Primer refers primarily to BSCs, however, the principles highlighted apply to all the different types of BDS mechanisms.

BDS are a very important means of supporting the development of micro, small and medium-sized enterprises (MSMEs), which are known to create employment, generate income and contribute to economic development and growth. Employment and income generation are particularly important as far as impoverished rural areas, vulnerable communities and groups are concerned. In this sense, supporting BDS is an important means of achieving the Millennium Development Goals (MDGs) by addressing poverty and empowering the poor and vulnerable groups (see IBLF/UNDP, 2003). Recent UNDP strategic developments, such as the publication of the report "Unleashing Entrepreneurship" (2004a) and the small enterprises strategies for South East Europe (2003a) and Central Asia (2003b), have underlined the

continuing role to be played by UNDP in addressing private sector development, partly focused on MSMEs through support to BDS provision.

However, 15 years into the process of transition in Europe and the CIS, a revised approach needs to be developed, in recognition of certain important facts:

- Many donors, international organizations and International Financial Institutions (IFIs) are engaged in the process of BDS, raising the question as to where UNDP's value added lies and how best it can be deployed.
- Many BDS have been established, especially in the larger urban areas, requiring UNDP to consider how best to target limited resources.
- Most BDS fail to become viable or sustainable once donor funding terminates, requiring UNDP (and others) to reconsider its approach.
- Alternative approaches are emerging in relation to implementation of BDS, embodied in the new Market Development approach, requiring UNDP to take on board international good practice and be more explicit in setting out its approach to BDS.

1.2 What this How To Guide offers

As part of UNDP's commitment to become a knowledge-based organization and knowledge service provider, four knowledge products are being created in order to "professionalize" key areas of UNDP's work. The aim of these knowledge products (UNDP, 2004b, p.11) is to ensure that UNDP work is consistent, replicable, easily accessible to colleagues and readily applicable in Europe and the CIS. A key knowledge product is the How To Guide for project and programme design. This report is the first How To Guide to be produced by UNDP.

The previous section presented the main rationale for the focus on BDS. The next section highlights the main BDS concepts leading rapidly to a focus on the two main mechanisms for delivering BDS. The current UNDP approach is presented, leading to the substantial content of the How To Guide, namely a Design Checklist for programme and project development. This has been prepared so as to highlight the main issues that need to be taken into consideration and presents a range of Frequently Asked Questions (FAQs) typically posed by programme managers and others implementing BDS, and sets out concise and practical responses.

Readers will be able to obtain a rapid overview of the main debates and issues in the field of BDS, as well as a framework for developing BDS projects and programmes conforming to the latest international good practice. However, since there are many different models for developing BDS and each need to be customized to the local specificities, readers cannot expect a "one-size fits all" approach. The final section sets out references, useful reading materials, web resources and UNDP project and programme contacts for further information.

2 BDS Concepts (Primer)

2.1 Importance of BSCs and BDS

BSCs play a very important form of support for the development of MSMEs by providing a range of business advice, information and support to the sector, as well as stimulating

sustainable MSME development by improving the general business environment. They are generally viewed as a mechanism for addressing market failures which are particularly evident in transition economies, such as lack of information (market opportunities, rules and regulations, access to credit, quality standards for export, etc.) which can act as a barrier to faster economic development and growth in a particular geographical area. Although this Primer refers primarily to BSCs, the framework to be presented applies to all the other mechanisms for implementing BDS.

As illustrated in the earlier quotation in section 1.1 above, BDS are effectively a range of services designed to assist MSME entrepreneurs to operate efficiently and grow their businesses with the aim of contributing to economic growth, employment generation and poverty alleviation. Table 1 highlights some of the main categories of BDS, with are also known as “non-financial services”.

Table 1: Main Types of BDS

1. Market access	Market research Market information Trade fairs Product exhibitions	Advertising Packaging Marketing trips and meeting Subcontracting and outsourcing, etc.
2. Infrastructure	Storage and warehousing Transport and delivery Business incubators Telecommunications	Internet access Computer access Secretarial services, etc.
3. Policy and advocacy	Training in policy advocacy Analysis of policy constraints and opportunities	Direct advocacy on behalf of MSMEs Sponsorship of conferences Policy studies, etc.
4. Input supply	Linking MSMEs to input suppliers Improving suppliers' capacity to deliver quality inputs	Facilitating establishment of bulk buying groups Information on input supply sources, etc.
5. Training and technical assistance	Mentoring Feasibility studies Business plans Franchising Management training	Counselling / advisory services Legal services Financial and tax advice Accountancy and bookkeeping Technical training, etc.

6. Technology and product development	Technology transfer / commercialization Linking MSMEs and technology suppliers	Facilitating technology procurement Quality assurance programmes Design services, etc.
7. Alternative financing mechanisms	Factoring companies providing capital for confirmed orders Equity financing	Facilitating supplier credit Equipment leasing and rental, etc.

Source: ILO, 2003, p.3

The focus on BDS is important because it can contribute to development goals such as economic growth, employment generation as well as poverty alleviation. BDS generally seek to raise the profitability and enhance the growth and competitiveness of enterprises, which directly raise incomes. BDS interventions at the micro firm level can lead to enhanced economic security and incomes, thus permitting poor entrepreneurs, not least women, to invest in nutrition, housing, health and education of their families. Equally, BDS delivered to MSMEs can lead to employment generation, thus absorbing excess labour, innovation and adding value to goods and services, flexibility in responding to dynamic and volatile markets, and fiscal contributions to hard-pressed governments (DfID, 2000). These are all valuable characteristics in transition, as well as advanced economies.

3 Choosing a Delivery Strategy

3.1 Introduction (Mechanisms for Delivering BDS)

BSCs are a particular delivery mechanism of assisting MSMEs to improve their access to the type of BDS highlighted in Table 1 above, usually within a certain geographical space which is considered to have limited service provision. The delivery mechanism for BDS can take one of two main forms, namely the "Traditional Development" or the newer "Market Development" approach, both of which operate around the following principal actors (see Blue Book, 2001):

- Small enterprises: profit-oriented MSMEs, including "survivalist enterprises", are the potential and actual clients of BDS.
- BDS providers: provide services directly to MSMEs and may include for-profit firms (e.g. consultancies, lawyers, bookkeepers etc.), individuals, NGOs, national and sub-national government agencies, quangos, industry associations, etc.
- BDS facilitators: support BDS providers through functions such as product development, building capacity, promoting good practice, external evaluation, quality assurance, advocacy, etc. Facilitators may include NGOs, industry and employers' associations, government agencies, donors; project offices, etc.
- Donors: provide funding for BDS projects and programmes.
- Governments: may provide funding for BDS and "public goods" such as information, education and training and other services, such as provision of infrastructure.

3.2 Traditional Development Approach

The Traditional Development (TD) approach to the delivery of BDS has been through intervention in the BDS markets at the level of the BDS transactions. In other words, this approach involves the creation of an organization to provide BDS directly to MSMEs. This usually is the form of an NGO which can have numerous different names such as: Enterprise Development Agencies, Business Support Centres, Local Enterprise Agencies, Regional Development Agencies, etc. (see Sievers, Haftendorn & Bessler, 2003). Another defining feature of this approach is that public subsidies played an important role in enabling MSMEs to obtain BDS either at no or very low cost. The expectation is that as the subsidies are withdrawn, BDS providers will charge for those services in order to attain financial sustainability.

Studies evaluating the impact of the TD approach have been fairly consistent in their conclusions:

- Provision of BDS, usually by one institution, can lead to local monopoly power.
- Provision of subsidized services (especially permanent ones) can crowd out existing and potential new BDS providers.
- BDS providers develop a wide range of services but these tend to be supply-driven, outreach is relatively low and limited by the subsidies available.
- Most BSCs are established for 2-3 years, with financial support expected to come from commercial activities (services to MSMEs) and possibly from stakeholders such as central, regional and local government. Neither assumption has proved valid.
- The great majority of BSCs are not financially sustainable. The persistent lack of financial resources often results in changes to the services delivered and target groups, mutation into private companies in order to survive or indeed termination of activities.

(see Phare, 2000; Sievers, Haftendorn & Bessler, 2003; Blue Book, 2001; Investment Compact, 2003, etc.)

3.3 Market Development Approach

The Market Development (MD) approach is relatively new, having been formulated as a response to the poor quality of services delivered, lack of sufficient outreach and lack of sustainability observed in BDS provided via the TD approach (see Blue Book, 2001). Its starting point is that outreach and sustainability cannot be achieved through direct provision through subsidies by donors and governments. Rather, the MD approach seeks to facilitate a sustainable increase in demand and supply of services, where subsidies are replaced by private payment for services. The ultimate goal of the BDS approach is to enable MSMEs to buy services of their own choice from a wide array of products offered primarily by unsubsidized private sector suppliers in a competitive and evolving market. The MD approach promotes as many suppliers as possible and may stimulate demand through discounted or subsidized services on a temporary basis for such activities as provision of information, market research, product development, training of suppliers, monitoring and evaluations. All these services fall into the category of “facilitating” the market by stimulating demand and supply.

Table 2 below sets out some of the defining features of the two approaches.

Table 2: Comparison of the Two Approaches

	Traditional Development Interventions	Market Development Intervention
Vision	A non-profit or government organization provides BDS to MSMEs	A primarily private sector market made up of competing suppliers sell a range of services to MSMEs
Objective	Provide services that MSMEs can afford	Encourage others to provide services to MSMEs on a commercial basis
Starting point	Diagnosis of needs, surveys	Assessment of market (demand, supply, potential)
Point of intervention	"First tier": direct provision through a single, local institution	"Second tier": facilitate, regulate, develop products for and work with more than one supplier
Duration of involvement	Permanent: donor-funded programmes must continue if services are to be available to MSMEs	Temporary: donor support withdrawn as markets develop
Subsidies	Support free or low cost services to MSMEs. Justified in the long run as MSMEs cannot be expected to pay full costs	Support assistance to suppliers or temporary grants to clients. Justified in the short run if market development impact outweighs distortion

Source: ILO, 2003, p.15

The MD approach appears to have various advantages over the TD approach and has a growing number of advocates. However, by virtue of the fact that it is a "new paradigm", it has not yet been conclusively evaluated to assess whether it is indeed more effective and sustainable than other approaches.

3.4 Example: Current UNDP Approach

An analysis of a small sample of five on-going BDS-oriented projects and programmes being implemented in Europe (Bulgaria, Croatia and FYR Macedonia) and CIS (Belarus and Uzbekistan) reveals a great deal of diversity. UNDP projects include Business Support Centres, Business Incubators, Local Economic Development Agencies, Information and Communication Technology Centres, etc. (see Reference Index for further information). Furthermore, although the UNDP BDS projects and programmes incorporate certain features of the MD approach, the organization's overarching remit to focus on the poor and vulnerable in order to attain the MDGs, means that its BDS activities tend towards the TD approach. There are sound reasons for this:

- Although the MD approach is thought to be a more effective mechanism for achieving financial sustainability, avoiding market distortion and maximizing outreach, this has yet to be proven. Opinion is divided as to the merits of the two main BDS approaches.

- Experience of implementing BDS projects and programmes cautions against the use of an overly standardized, universally applied approach. Every locality has its peculiarities and specificities, calling for a different approach to fit the market.
- It is far from clear that the MD approach to BDS can be effectively applied in impoverished and peripheral areas where private BDS providers such as business consultancies, accounting and legal firms are notable mainly for their absence, in part because MSMEs have limited capacity to pay commercial rates for BDS. This is primarily the turf occupied by UNDP projects and programmes.
- Partly linked to the above, the degree of sustainability of BDS providers depends on the types of services being delivered. The most viable services, such as marketing and technology services (see Goldmark, 1999) are not necessarily the types of services which would be most appropriate in isolated, rural environments thus affecting the chances of attaining the goal of financial sustainability.
- As the MD approach explicitly recognizes, there are certain circumstances when subsidies may be necessary on a temporary basis, for example to stimulate the market for new BDS providers (e.g. vouchers and matching grants), provide technical assistance to BDS providers and undertake other activities of a public good nature, such as monitoring and evaluation. Again, UNDP projects and programmes operate principally in environments where market stimulation is required.
- Finally, since BDS for MSMEs are subsidized on an ongoing basis in richer and more economically advanced countries such as the EU, it is not likely that the development of profitable BDS providers will arise in economically disadvantaged and remote areas. There is a need for targeted subsidies to address unmet business needs (see also Harper, 2001; DfID, 2002).

4 Design Checklist

Following on from the preceding analysis, the MD approach highlights a number of BDS features which needs to take into consideration in the design and implementation of future UNDP projects and programmes, so as to maximize the impact and enhance the prospects of achieving sustainability of BDS activities. Taking into consideration the latest UNDP and other international good practice, a set of six “golden rules” characterize the future UNDP approach to BDS:

1. The necessity for targeting through a market assessment.
2. The necessity for a predominantly rural development approach.
3. The necessity for institutional arrangements focusing on achieving viability, leading to sustainability.
4. The necessity for high quality human capital for BDS facilitation and delivery.
5. The necessity for broad and inclusive partnerships within which to embed BDS.
6. The necessity for monitoring and evaluation as an intrinsic component of BDS.

These issues are discussed in more detail below, together with Frequently Asked Questions (FAQs). Clearly, these are designed to provide guidance, which must be customized to the realities and specificities of the country and the locality in question.

4.1 Targeting

4.1.1 Market Assessments are a Prerequisite

The BDS market must be understood before the most appropriate intervention can be determined. In turn, those interventions should focus on the key issues of widening outreach, avoiding distortion and maximizing the scope for viability and sustainability. Questions need to be addressed, such as:

- Is there a market niche for the establishment of BDS facilitators / providers?
- Is it wiser to follow the TD or MD approach, or a mix of the two?
- What should be the nature of the intervention and duration of the initiative?
- What will be the possible exit strategy, so as to ensure long term viability?

Three main issues are normally addressed in the market assessment, as set out in Table 3:

Table 3: The Market Assessment

1. Demand
<ul style="list-style-type: none">• Profile: what types of MSMEs are using which services? Which types of services are not being used?• Benefits: what kind of benefits are MSMEs looking for from BDS services?• Awareness: how aware are MSMEs about services? Do they understand the benefits of services?
2. Transactions
<ul style="list-style-type: none">• Market: How big is the market? What percentage of MSMEs have tried particular services?• Purpose: Why do / don't MSMEs use the services?• Delivery: How are services delivered? How do MSMEs want them to be delivered?• Features: What service features do MSMEs want? How satisfied are they with what is available?• Prices: What prices are MSMEs paying for services?• Nature: What percentage of MSMEs acquire services through fee-for-service transactions, services embedded in other commercial transactions and for free?
3. Supply
<ul style="list-style-type: none">• Suppliers: what kind of suppliers exist?• Products: what range of products is available?• Strengths & weaknesses: what are the strengths and weaknesses of the current suppliers?• Substitutes: what kind of substitutes for BDS to MSMEs use?

Adapted from ILO, 2003, p.34

Since project and programme interventions will affect the market, a better understanding the market will enable more targeted interventions to be developed. The market assessment is essential in determining the design the BDS project, including whether the MD approach, TD approach or a mixture of the two would be appropriate, the duration and the exit strategy. There are also good reasons why market assessments are important in accessing vulnerable groups and attaining the MDGs. Since these groups often have different demands from the mainstream entrepreneurs, the market assessment can help identify these and develop strategies for developing services that are customized to their needs and priorities.

4.1.1.1 At what stage should the market assessment be made?

The aim of the market assessment is to ensure that those designing the project start by understanding how the BDS market operates, thus highlighting the constraints and opportunities and allowing interventions to be designed that focus on maximizing the key opportunities and/or overcoming the major problems. This means that the market assessment is essential in the programme / project design stage. The kinds of information that are required to inform the interventions are highlighted in Table 3.

4.1.1.2 How do we conduct a market assessment?

The key focus of the market assessment is the potential and existing MSMEs themselves. Other sources include BDS suppliers (public and private), business associations (Chambers of Commerce as well as other voluntary bodies), governmental sources (national, regional and local), NGOs, etc. The main tools used to undertake assess markets include the following (ILO, 2003, pp.39-42):

- Market overview: secondary sources of information and interviews are carried out with MSMEs, BDS providers, experts and a variety of related organizations. This is relatively quick and cheap to undertake (typically 20 – 60 interviews), however, relies on limited information and may miss important issues.
- Consumer survey: this involves market research methods (typically 100 – 500 companies) which can deliver broad and statistically significant market data (services used and demanded, satisfaction, improvements required, etc.). These tend to deliver fairly “shallow” information and are of limited use in underdeveloped areas where MSMEs have limited experience of using BDS.
- Focus group discussions: these are a detailed and focused discussion with a group of consumers, managed by an experienced facilitator (typically 3 groups of 7-10 consumers each). These result in detailed information and in-depth insights into BDS markets, however, the issues discussed are be fairly focused and may be biased towards micro enterprises, vulnerable groups, etc.
- Supplier interviews: these provide an insight into the supply side of BDS and obtain providers’ perspectives. They are particularly useful in highlighting the gaps between demand and supply through in-depth interviews of suppliers and/or collection of qualitative information through questionnaires.

Each tool has its pros and cons and a variety of the different methods is likely to be the most effective way of capturing relevant BDS information. The exact combination will depend on such issues as: project resources, project duration, stage of market development, availability and experience of research organizations, etc.

4.1.2 A Predominantly Rural Development Focus

Rural areas experience serious market disadvantages (see Bond, 2001):

- Lower concentrations and poorer quality of supportive services.
- Poor physical capital assets.
- Low economic investment.
- Remoteness from both the rural and urban markets.
- Weak intra-rural trade.
- Less choice of suppliers and markets leading to exploitation and debt.
- Financial capital 'drain' as banks take more in savings than they give in loans leading to a rural subsidy of urban development.
- Market exchange as a lower priority in livelihood strategies than subsistence and migration, etc.

Although numerous IFIs, bi-lateral donors and multi-lateral donor organizations are active in the BDS field in Europe and the CIS, such activities tend to be concentrated in urban environments, where the potential for achieving the MD approach (and indeed, the TD approach) is the greatest. By contrast, rural, isolated and war torn areas are largely devoid of these initiatives – vast swathes of Europe and CIS are largely bereft of BDS providers. At the same time, a focus on rural enterprise development is of fundamental importance in attaining the MDGs. An analysis of UNDP funded projects reveals that this is precisely where the bulk of UNDP project and programme experience lies. UNDP's value-adding niche is to support BDS predominantly in rural areas to complement the work of other actors, who concentrate predominantly on urban development.

4.1.2.1 Does this mean that UNDP projects should not have an urban focus?

UNDP's remit means that there will inevitably be a focus on urban areas, especially in the fields of Local Economic Development and poverty alleviation. As far as BDS is concerned, the design for urban projects must demonstrate that they add value (there may be other donor funded projects already), do not distort markets (there may be existing private sector BDS providers) and deliver at least as much MDG impact as if they had a rural development focus.

4.1.2.2 Which locations should be selected for BDS projects and programmes?

Various techniques have been employed for the selection of project locations, such as:

- Information and discussions with government ministries as well as donors in order to avoid overlaps and the development of incompatible approaches.
- Objective criteria consistent with UNDP priorities, such as level of unemployment, poverty, income levels etc.
- Competitive application process (NGOs, private sector BDS providers, municipalities, etc.) leading to selection via predetermined criteria.

These various approaches have their pros and cons, however, the competitive approach offers two important advantages which are likely to enhance the prospects of viability and sustainability:

- A competitive process widens the scope of possible partners and thus enhances the prospects of finding committed, long-term counterparts for projects.
- A competitive process enhances the possibility of obtaining co-financing for projects (establishment and operation costs), which enhances the prospects of durability.

Whatever the approach, it should be combined with field visits to set out and negotiate the project with the relevant counterparts. Willingness to co-finance the BDS project and long term commitment to maintain the project will be key factors for selecting locations and partners.

4.1.2.3 How can sophisticated BDS be delivered in rural communities?

Regardless of whether the TD, MD or a mixture of the two approaches is implemented, it is essential for the BDS providers to be highly skilled and offer a range of basic, as well as more sophisticated services. Projects normally involve training BDS providers to deal with issues such as: client orientation, IT, business planning, marketing and other generic BDS skills. However, beyond a short period of time entrepreneurs become increasingly unwilling to pay for basic services, thus impacting directly upon viability and sustainability. Over time, entrepreneurs' emphasis shifts to value adding services such as quality control, EU export standards, etc. There are three main strategies for offering more sophisticated services:

- Internationally recognized and accredited BDS qualifications: entrepreneurs are more likely to pay for services if they know that the quality and standards of BDS providers are consistent with international norms, such as those of the International Council of Management Consulting Institutes. BDS projects should include a budget for such capacity building.
- Subcontracting: through the market assessment and related process, it should be possible to obtain a comprehensive understanding of which, if any, other local public and private BDS providers exist. Cooperation will enable BDS projects to sub-contract BDS providers who specialize in certain services such as legal issues, accountancy, tax planning, PR, quality standards, environmental standards, etc.
- National and international networks: by integrating with related organizations, standards and capacity are likely to be enhanced over time.

4.2 Institutional Arrangements

4.2.1 A Focus on Viability Leading to Eventual Sustainability

There is an important distinction between financial viability and organizational sustainability:

"A BDS is sustainable if commercially-motivated revenues are at least as great as the full costs of service provision (direct and indirect costs, fixed and variable costs). Revenues received from the public sector (donors and governments) are not included. Similarly, revenues received as a result of philanthropic or political motivations are not included ... In this definition, financial sustainability differs from organizational viability in the sense of the ability of the BDS institution or service to continue in existence by drawing on grants and other non-commercial revenues."

(Blue Book, 2001, p.15, emphasis added)

This differentiation is at the heart of the debate about the most appropriate model of BDS provision in transition economies. Yet, it is well known that even in advanced economies, the provision of BDS is generally not financially sustainable, as defined in the Blue Book (2001), without on-going public intervention in the form of grants and other forms of support. Such intervention may be international in nature (e.g. EU programmes, funds and grants), national (e.g. government support) or regional and local support (e.g. regional authorities and local governments):

“It is time to recognise and dismantle any double standards between the practice of western countries in persisting with subsidised BDS at home, and espousing full financial sustainability as donors to BDS providers in developing countries. Developing country governments are unable to subsidise BDS markets, services or delivery institutions to the extent that developed countries can, even if the political will exists to do so. This being the case, donors should encourage BDS implementing institutions to explore, test, and take advantage of other sources of revenue for achieving financial sustainability, alongside user charges.”

(DfID, 2002, p.5)

The prevailing emphasis on financial sustainability imposes significant and largely insoluble pressures on both donor institutions and BDS facilitators and providers in Europe and the CIS. This applies doubly so in the rural and underdeveloped environments which UNDP projects and programmes tend to focus on. Here, the gauge of success should not be the achievement of financial sustainability but rather the difference BDS providers make in the development and functioning of the MSME sector (see also monitoring and evaluation below).

The nature of UNDP projects is generally such that organizational viability is a more realistic target, although it is in the interest of all projects to aim towards the creation of financial sustainability. This means that instead of working on the basis that programmes will operate indefinitely, there is a need to have a clear and explicit exit strategy, which is built into the programme document (see Market Assessment). If the focus is on programme viability rather than financial sustainability, this should be explicit, as well as how the viability / sustainability will be achieved.

4.2.1.1 Should the TD or MD approach be used?

The UNDP remit in relation to the MDGs inevitably means that the focus of projects and programmes will be on improving the employment and income prospects of vulnerable groups and/or those normally not able to access services. Whilst other donors tend to be very active in the more developed and urban areas, UNDP's approach to BDS is increasingly focusing on rural development. These areas may offer scope for following the MD approach and this will be determined by the market assessment. However, since private BDS providers are unlikely to exist to the same extent as in more economically developed areas, a revised form of the TD approach is likely to be more appropriate. If the latter path is chosen, the issues highlighted in this Design Checklist are designed to ensure higher levels of viability/sustainability, greater outreach and less market distortion until such a time as private market provision may exist.

4.2.1.2 What is the best institutional model for effective BDS delivery?

The MD approach has already been discussed. It assists private BDS providers to deliver the services, however, an institutional structure for the project may still be required (BDS facilitator). Further information can be found in the following documents: Blue Book, 2001; ILO, 2003. As far as the more traditional approach is concerned, there is a variety of models to choose from such as:

- Business Support Centre: provides support to potential and new enterprises in a geographical area with limited BDS provision. Services include such elements as starting businesses, registration, business planning, access to finance, training, consultancy, etc.).
- Business Incubator: provides support (such as advice, facilities, low cost premises, finance, etc.) to businesses when they are most vulnerable, namely between start up and achieving stable profitability.
- Local Economic Development / Agency: provides support for a participatory development process that encourages partnership arrangements between the key private and public stakeholders in a defined geographical space. The objective is to design and implement a development strategy which leads to the creation of jobs and stimulates economic activity by using local resources and local competitive advantages.

It is simply not possible to determine in advance which institutional model is the most appropriate to follow. The choice of model will depend on the particular focus on the project. Even within each generic model, there are various ways of implementing the institutional arrangements, which can only be determined in line with the project specificities and the local environment. However, as long as certain broad principles (i.e. the "golden rules" in this Primer) are applied, there is a good chance that the project impact will be maximized, irrespective of the approach employed or the particular model implemented.

4.2.1.3 Should the BDS projects charge for services or not?

One of the major reasons why financial sustainability has been hard to secure, is that projects often begin offering services for free and subsequently shift to full cost recovery. Enterprises get accustomed to receiving services for free and are subsequently required to pay significantly higher rates. There is often an unwillingness or inability to do so. A further problem where donors are very active, especially in urban environments, is that some donor funded projects offer free or highly subsidized services and other seek to achieve full cost recovery, resulting in mixed messages to enterprises.

UNDP projects should be focused on achieving viability in the first instance and eventually sustainability. Charges represent important price signals which oblige entrepreneurs to consider the value of the services on offer. To the extent that this is the case, projects should charge for services. Clearly, some target groups are more able to afford such charges (e.g. early growth firms) than others (e.g. minorities / women entrepreneurs wishing to start-up). Some services generate greater levels of revenues (e.g. consultancy advice, accountancy and marketing) than others (e.g. basic information provision, rules and regulations, etc.). Rather than establishing a single price list covering all services, it may be more appropriate to develop charging scales as a means of differentiating between clients. This amounts to working on the basis of cross-subsidization, which means that poorer or

less viable entrepreneurs will be charged less than more established enterprises. The market assessment will be important in establishing the broad parameters for charging to different target groups. Furthermore, if UNDP concentrates primarily on rural areas, the related problem of certain donor-funded projects charging whilst others do not, is unlikely to occur.

4.2.1.4 How can viability and sustainability be achieved?

This is a question which all governments and donors have been trying to resolve, but with little apparent success so far. There is no recipe for achieving viability and sustainability of BDS. The MD approach is a direct response to this lack of success. However, as this Primer makes clear, there are no universal solutions and everything depends on the particular focus of the project. Achieving financial sustainability as defined in the Blue Book (2001) remains the ultimate objective. However, reliance on collecting BDS user fees is unrealistic in the types of environments and groups that UNDP operates in/with. Other sources of income are likely to be as important, such as (DfID, 2002):

- A range of other business services that cross-subsidize BDS.
- Other funding streams (e.g. investments and membership subscriptions).
- Private sponsorship and public subsidies.

Attaining financial sustainability is essential in providing long term services to MSMEs, however, it is not the only consideration in attempting to implement this aspect of UNDP's remit in relation to the MDGs. The "golden rules" for BDS project development presented in this Primer represent UNDP's response in terms of recognizing the importance of seeking to achieve organizational viability.

4.2.1.5 How can good governance be built into BDS projects and programmes?

There are several aspects of governance that should be incorporated:

- Partnership: establishing formal and/or informal partnerships (see section 4.4 below) is an essential step in building consensus, credibility and accountability in BDS projects. It ensures that the views of local stakeholders are taken into consideration and that the activities of the project and programme are legitimated and rooted in local priorities. This in turn increases the prospect of project viability as the local partners are more likely to claim ownership and wish to maintain the activities beyond the point when donor funding terminates. The involvement of regional/local government in the partnership is essential.
- Management Board / Foundation Board (MB): corporate governance calls for the creation of some form of supervisory body that manages the BDS provider / facilitator. The Management Board and Foundations of the BDS institutions should include but not necessarily be restricted to the members of the BDS partnership.
- Project Advisory Board (PAB): often BDS projects operate "out in the field" with little or no connection to national and regional policy making and development. The underlying aim of UNDP projects is to implement successful projects that improve people's lives and impact directly on the attainment of the MDGs. At the same time, projects should establish links to the key national players, so that positive BDS experiences and effective

models and approaches can be translated into national policy making, legislation, regulations, etc. This increases visibility and enhances the prospect of attaining viability.

4.2.1.6 Should existing institutions be used or new ones established?

The typical reaction is to “start from scratch”, however, there may be very good reasons for building on what already exists. If the MD approach is being implemented, then the emphasis is normally on using existing BDS providers and building their capacity to become financially sustainable. A BDS facilitator may be established on a temporary basis to assist the process of BDS, build up the capacities of local providers, etc. In the case of the TD approach, this normally involves an element of institution building, such as the establishment of BSCs, the recruitment of staff, establishment of new premises, capacity building of staff and development and delivery of services. A growing number of NGOs and other institutions have been established with the same or similar objectives and it may be possible to develop these further, taking advantage of existing capacities, resources, contacts, etc. However, it should be recognized that BDS is a specific field of activity and that credibility and viability/sustainability are dependent on being able to deliver services that enterprises are willing to pay for. If the image and skill set of existing institutions is not consistent with BDS, then this may well undermine project effectiveness.

4.3 Human Capital

The success of BDS projects and programmes, as well as viability and sustainability depend on the quality and capacity of the BDS facilitators and providers. Recruitment, wage levels, capacity building, as well as management and leadership are important success factors in BDS.

4.3.1.1 How should staff/operational budgets be structured?

All projects should aim to staff BDS organizations with the best available levels of expertise and professionalism. However, this must be balanced with the realities on the ground. In some cases, the best strategy may be to build up the capacities of the staff in the existing institutions, NGOs and firms, rather than recruiting staff for the project duration. This is also likely to be the most sustainable strategy (e.g. in relation to LED capacity building projects, rather than the actual delivery of BDS), however, the aim of recruiting the best may have to be tempered by the existing human resources available in, for example, the local authorities. In such cases, the project budget should not cover the wage costs of such staff - the training and general capacity building process, together with one-off funding for it and other equipment and software, should provide sufficient incentive for participation.

Where projects must recruit staff, it is essential for the cost base, especially the salary levels, to be compatible with the going rates in the locality. The high wage levels of Phare funded BSCs were designed to motivate them to become established and sustainable, but resulted instead in antagonism from other partners, not least public administration, and contributed directly to the lack of viability and sustainability once project funding terminated. Local government was not willing to inherit the high cost base such as salaries, bonuses, high maintenance cars, etc. (see Phare, 2000). The necessity to maintain wages in line with local norms is particularly important in rural environments, where the scope for recovering costs by charging is likely to be more limited.

4.3.1.2 What role do leadership / management play?

Successful BDS projects and programmes are often associated with strong leadership and management. The leadership may come from individuals, such as the head of the BDS facilitator/provider, as well as local institutions, such as the head of the partnership (see below). Both leadership and management are essential factors in developing a vision for BDS, enhancing collaboration, removing barriers and generally acting as champions for the successful implementation of the BDS activities. UNDP projects and programmes should place strong emphasis on both the selection of appropriate management (providers / facilitators) and leaders (partnership), as well as enhancing their knowledge base and capacity.

4.3.1.3 What are the key components of capacity building for BDS staff?

The specific components of the capacity building programme will inevitably vary according to the nature and duration of the project, the pre-existing skill base of the BDS staff and members of the partnership, etc. The key components of building up capacities are likely to include the following:

- Awareness raising: study tours / visits to relevant UNDP and other projects in the relevant country or internationally. These are particularly useful as a means of building up awareness of what is involved in BDS, building contacts, building trust and partnership among project staff and partners, etc.
- Skills/knowledge audit: an assessment of the existing skill base (management, staff, partners, providers, etc.) is the starting point in seeking to maximize the use of limited funds.
- Capacity building plan: over the duration of the project, customized capacity building packages and support will be planned and delivered. Such a plan will reflect the priorities of the project in question, however, is likely to include the following broad components:
 - Working through partnerships.
 - Regional / local / enterprise development.
 - Developing and implementing strategies and work plans.
 - Nature of and accessing non-financial or BDS.
 - Nature of and accessing financial services.
 - Achieving MDGs through BDS.
 - Monitoring and evaluation.
 - Accessing EU and other project funding.
 - Delivering BDS to internationally accredited standards.

4.4 Partnerships and Coordination

UNDP projects and programmes should seek to develop broad public private partnerships, as foreseen in the latest UNDP vision (2004a). Almost all economic development activity in advanced economies involves implementing agencies working together with enterprises, public agencies and/or not for profit institutions such as NGOs in order to deliver outputs more effectively. Partnerships deliver support and commitment to the business

development initiative at the local, regional and national level, and involve two main components:

- A process: in the sense of BDS activities involving a genuine and sustained collaboration between two or more organizations. This is normally informal in nature.
- One or more schemes: usually joint ventures based on formal contractual agreements which define the form and scope of joint activity (such as implementing a project).

4.4.1.1 Who should be included in BDS partnerships?

The main categories of partners in BDS projects include private companies (MSMEs and possibly large enterprises), private sector organizations (e.g. business associations), voluntary organizations (e.g. trusts, foundations and NGOs), public bodies (central government ministries, governmental agencies, regional bodies and local governments), etc. The actual combination of organizations in the partnership will depend on the nature of the project, the degree of synergy (i.e. the additional benefits that can be achieved by partners working together, as compared with what they can achieve working on their own), the compatibility of the BDS agendas, the willingness to collaborate, etc. Partnerships do not develop on their own, so project resources have to be devoted to this component. It takes time and determination to facilitate the development of trust and cooperation, two ingredients which are essential in working partnerships.

4.4.1.2 What is the role of national / regional / local government in BDS partnerships?

All three levels of government have an important role to play in the development of BDS projects and UNDP projects and programmes should seek interaction with them:

- Government has an important role to play in the development of effective business services. Most governments have developed MSME strategies and action plans which include the development of business services as a major component. BDS projects and programmes should be consistent with the framework proposed by governments, where these make sense and are compatible with attaining the MDGs, so as to enable projects to:
 - Contribute to the attainment of the SME strategy.
 - Share good practice and influence government policy.
 - Benefit from international, national, regional and local funding, thus enhancing the prospects of sustainability.
- Regional governments are fairly underdeveloped in the SEE and CIS regions but Regional Development Agencies are being established. These typically have a wider remit than BSCs, however, BDS is normally a key component of their activities. Projects should seek to integrate with regional bodies for the reasons discussed in relation to central government. In the context of EU Accession Countries and those seeking to gain Candidate Country status, this is particularly important in view of the possible pre-accession and other EU aid available for regional and enterprise development.
- Local governments are key players in relation to BDS, since most have been awarded the local economic development brief, which includes enterprise development and thus BDS. However, there is a need for caution in relation to their role in support of BDS. Where BDS institutions do not exist, local governments may function in various ways, including as "one-stop shops" providing general business information, facilitating

registration and simplifying the award of building and other permits. Generally, local (and regional) governments should not be involved in the actual delivery of commercial services, consulting and advisory services, since they generally lack the capacities and skills to do so effectively.

4.4.1.3 Why is coordination with other donors and government important?

A consistent feature of BDS development is that although significant funds continue to be made by governments and donors for private sector development, coordination is largely notable for its absence (IC, 2003). It is often left to donors to attempt to maximize synergies or at least avoid overlaps in projects. UNDP projects should engage with such initiatives, to ensure effective project development, as well as to enable best practice to be shared with other donors. The same applies in relation to local organizations at national (Ministry / agencies responsible for MSMEs), regional (regional / county administrations, government offices, etc.) and local government level (municipalities etc.). Aside from gaining useful inputs to the project (e.g. consistency with national policy) this integration is essential in maximizing dissemination of project experience, thus ensuring that local BDS good practice influences national policy development. The previous two FAQs relating to the role of national / regional / local government and donor coordination are essential components in the process building and sustaining public sector commitment and support at various important levels.

4.5 Supporting Target Groups

4.5.1 Making Best Use of Subsidies

BDS providers essentially fulfil a public policy function in that their target group, MSMEs, are of critical and strategic importance to employment creation, raising income levels and economic growth. Transition economies in Europe and the CIS have a clear case of market failure when the BDS market is underdeveloped and MSMEs cannot pay for BDS at commercial rates. To address this market failure, the support of BDS institutions should be an integral part of national public policies. Building and sustaining public sector commitment and support at national regional and local level is critical.

Nevertheless, subsidies that directly reduce the cost of BDS may lead to market distortion, which is why donor emphasis tends to be increasingly on using subsidies for the pre-delivery BDS activities (such as capacity building, awareness raising, information provision, test marketing, product development, etc.) and post-delivery BDS activities (such as consumer feedback, monitoring and evaluation). Unless this makes sense (see market assessment), subsidies for transactions should be either avoided all together or targeted and used for a limited period. Whenever used, subsidies must be performance related, to ensure that they are being used effectively (see Monitoring and Evaluation).

4.5.2 Provision of Financial Products and Services

There is a debate as to whether BDS providers should be involved in the provision of financial products or not. Since they are non-financial institutions, they are normally less capable of making effective risk assessments and their activities could lead to market distortion. A common feature of UNDP BDS projects is that they involve an element of

financial support in the form of instruments such as micro finance, leasing, credit guarantees, etc. The danger highlighted above is reduced if the BDS focus on:

- Signposting for finance: regularly collecting and updating information on the potential sources of finance (commercial banks, development banks, credit guarantee funds, leasing companies, micro finance organizations, etc.) for MSME clients. This would provide a valuable baseline on the terms and conditions for obtaining finance, thus enabling BDS providers to facilitate access.
- Focus on non-bankable clients: the financial activities of commercial banks, micro finance banks, etc. can be usefully complemented by the micro finance efforts of NGOs making finance available to non-bankable clients such as start-ups, rural communities with limited access to banks, etc. (see IC, 2003).

Although it is standard practice to separate financial from non-financial services for BDS, there may be synergies in linking finance and BDS under certain circumstances. Research suggests that service providers should (Sievers & Vandenberg, 2004, p. 23):

- Opt for voluntary over compulsory services.
- Opt for unified solutions (BDS and financial services) only if staff can handle this effectively.
- Opt to use partners if existing providers already exist.

4.6 Monitoring & Evaluation

4.6.1 Impact Measurement and Performance

Many donors, including UNDP, have invested significant resources in BDS projects and programmes. However, few if any, appear to be in a position to demonstrate that their activities have led directly and indirectly to desired outcomes, such as economic growth, employment generation and poverty alleviation. This is mainly because, despite statements to the contrary, there has been relatively little focus on regular, objective and rigorous analysis of impact. Yet, this is absolutely essential if failing schemes are to be improved and redesigned and successful programmes and projects replicated:

“Monitoring and evaluation enhance the effectiveness of UNDP assistance by establishing clear links between past, present and future results. Monitoring and evaluation can help organizations to extract, from past and ongoing activities, relevant information that can subsequently be used as the basis for programmatic fine-tuning, reorientation and planning. Without monitoring and evaluation, it would be impossible to judge if work was going in the right direction, whether progress and success could be claimed, and how future efforts might be improved.”

(UNDP, 2002, p.5)

4.6.1.1 Given the limited funds, is it worth having a strong focus on impact assessment?

BDS projects often involve major outlays, often amounting to millions of dollars in subsidies and technical assistance, depending on the size and duration of the project. Clearly, the rigour and extent of resources devoted to assess impact will need to be proportionate to the nature of the project. However, projects that monitor and evaluate themselves are more likely to maximize outreach, minimize distortion and attain viability and, in due course, sustainability.

4.6.1.2 How do we develop the framework for impact assessment?

The UNDP Handbook (2002) sets out a general framework for monitoring and evaluation of UNDP projects and programmes. In addition, a series of recommendations have been made specifically in relation to the evaluation of BDS activities (Oldsman & Hallberg, 2001), such as the need to:

- Clarify targets and the underlying programme logic.
- Plan evaluation at the inception of the project and stick with it.
- Establish baseline data and project records.
- Build valid comparisons into the analysis (e.g. though benchmarking).
- Use multiple methods to cross-reference analysis.
- Commit the requisite resources.

Such an approach to project and programme M&E could usefully distinguish between monitoring and evaluating aspects of institutional performance (such as cost-effectiveness, viability and sustainability) as well as impact assessment (such as the impact of BDS providers in developing the MSME sector (see also Nexus Associates, 2003).

BDS projects and programmes should systematically undertake the following:

- End of year review.
- Mid-term review.
- End of project evaluation

If projects are extended, the evaluation should proceed as originally planned, so as to ensure that the second phase benefits fully from M&E process.

4.6.1.3 Would benchmarking be a good idea in BDS projects and programmes?

Benchmarking involves learning, sharing information and adopting best practices to bring about changes in performance. It basically means improving activities by learning from others and usually encompasses:

- Comparing aspects of performance against the best practitioners.
- Identifying gaps and weaknesses in performance.
- Seeking to bring about improvements in performance.
- Implementing improvements.
- Monitoring progress and reviewing the benefits.

There has been little or no benchmarking of BDS providers, so as to measure and assess their performance, services and seeking to bring about improvements. This may be usefully introduced as one of the elements comprising the framework for performance assessment.

5 Reference Index



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- UNDP (2004b), Knowledge Products Proposed for Europe and CIS, UNDP.



Unleashing Entrepreneurship: Making Business Work for the Poor. Commission on Private Sector & Development, UNDP, 2004.

This is a report of the Commission on Private Sector & Development to the Secretary-General. It attempts to answer two questions: How can the potential of the private sector and entrepreneurship be unleashed in developing countries? And how can the existing private sector be engaged in meeting that challenge? The report offers recommendations on how the major actors - governments, public development institutions, the private sector and civil society organizations - can modify their actions and approaches to significantly enhance the ability of the private sector to advance the development process. Essential reading!

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=4824

UNDP SME Strategy for South East Europe, draft document. UNDP, 2004.

This document identifies specific priority measures for SME development in South East Europe and provides criteria for UNDP involvement and recommended areas for UNDP intervention at regional and national levels.

UNDP SME Strategy for Central Asia, draft document. UNDP, 2004.

This document reviews the major issues and challenges for SME development in Central Asia. It identifies criteria for UNDP involvement and recommends areas for UNDP intervention.

UNDP Essentials: Entrepreneurship Development. UNDP Evaluation Office, December 1999.

Drawing upon the experience and lessons learned in promoting entrepreneurship by UNDP,, this paper provides broad guidelines for supporting entrepreneurship.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=3742

UNDP Essentials: Small and Medium Enterprise Development by UNDP Evaluation Office, November 1999.

This paper summarizes and synthesizes the experience and lessons learned in SME development by UNDP. It provides broad guidelines and principles for intervention on the following topics: policy environment for SMEs, support services for SMEs, development of financial sector and programme design and implementation.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=3744

Handbook on Monitoring and Evaluation for Results. UNDP, 2002.

This handbook presents the conceptual and operational framework for monitoring and evaluation in a results-based context. It introduces the elements of the new framework, defines the key concepts of outcome monitoring and outcome evaluation, and delineates their scope and purposes. It provides practical guidance on the planning, organization and conduct of monitoring and evaluation processes focused on development results (outcomes and outputs). It provides approaches and methods that can be used to measure performance through monitoring and evaluation. The corresponding tools are featured in annexes. It discusses performance measurement and the use of indicators in monitoring and evaluation. It addresses the role of evaluative evidence for organizational learning and knowledge management.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=4823

Small Enterprise & Microfinance Network (SEMFIN)

This website is a resource corner of the SEM FIN global knowledge network of UNDP and UNCDF. It offers access to resources of the network, UNDP's/UNCDF's work on microfinance and SME development.

<http://intra.undp.org/bdp/workspaces/poverty/sl-microfinance.htm>

UNDP Bureau for Resources and Strategic Partnerships, Division for Business Partnerships

This website offers information on partnership with private sector, UNDP policies and a toolkit for collaboration and partnership with business sector.

<http://www.undp.org/business/> or <http://intra.undp.org/brsp/business/index.html> (UNDP Intranet website)

UNDP PROJECTS

ON-GOING PROJECTS

Job Opportunities through Business Support (JOBS), Bulgaria

The project addresses the issue of unemployment in Bulgaria by creating sustainable long-term jobs through support to micro and small businesses in rural areas. The established network of 37 Business Centres/Business Incubators covers 42 communities and provides support to start-ups, existing local businesses and agricultural producers through consulting, information services, training and a financial leasing mechanism.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_projects&ProjectID=541

Sustainable Income Generation (SIG), Uzbekistan

The overall objective of the project is to strengthen capacities of national and local institutions for design and implementation of employment generation and poverty reduction initiatives through strengthening capacities of central and local governments and NGOs in cross-sectoral policy analysis and formulation. The project also supports strengthening of institutional capacities of the existing microfinance and business advisory institutions.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_projects&ProjectID=549

Capacity-building of Local Governance - Development of Enabling Economic Environment, Republic of Macedonia

The project aims at strengthening the capacities of local governments to enable them to become facilitators of local economic development. Project activities focus on bringing together public and private sectors to identify the development priorities of the target municipalities. Project activities also include initiatives aimed at building entrepreneurship and, through Local Development Centres, providing information and consulting support to local entrepreneurs.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_projects&ProjectID=592

Promoting Enterprise Activity through Public-Private Partnerships, Belarus

The project contributes to improved business environment and helps reduce the social risks related to enterprise restructuring and resulting personnel cuts. It serves to promote self-employment - particularly in rural areas - and to build stronger partnerships between the

state and civil society (business associations). It aims to create two pilot business incubators and a pilot rural enterprise support centre.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_projects&ProjectID=514

Srebrenica Regional Recovery Programme, Bosnia and Herzegovina

The overall goal of the project to promote the socio-economic recovery of multi-ethnic communities. One of its components focuses on creating conditions for sustainable economic growth and poverty reduction through support to microfinance, business development services, agriculture and sustainable use of environment.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_projects&ProjectID=255

Atyrau Business Development Centre, Kazakhstan

The project's objective is to strengthen local business advisory services and consulting capacity. Project has established the Atyrau Business Advisory Centre, which provides business consulting, information and training for the local entrepreneurs.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_projects&ProjectID=480

Supporting Local Economic Development through Municipal Business Centres, Kosovo

The project seeks to help local authorities in creating enabling conditions for local economic development and micro, small and medium enterprise development as a means to achieve sustainable economic growth, generate jobs and reduce poverty.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_projects&ProjectID=593

Local Economic Rehabilitation in the War-Affected Areas - Income Generation and SME Support, Croatia

The objective of this project is to foster economic rehabilitation in the war-affected areas in Dalmatia, Banovina, Western and Eastern Slavonia by providing support to vulnerable returnee families and to small entrepreneurs (Local Economic Development Agencies and business support services).

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_projects&ProjectID=594

Partnership for the Future Programme, Cyprus

This programme contributes to the peace-building process in Cyprus through a number of interventions including support to SME sector. Business Support Project and Small Projects Fund promote networking and partnership development between the Greek-Cypriot and Turkish-Cypriot business communities; build capacities of the local business and business support institutions; and assist SMEs through a grant scheme.

<http://www.undp-unops-pff.org/>

COMPLETED PROJECTS

Business Skills and Support Training for Small Businesses in Semipalatinsk Region, Kazakhstan

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_projects&ProjectID=477

Support to SME Development, Azerbaijan

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_projects&ProjectID=232

Support to SME development, Kyrgyzstan

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_projects&ProjectID=299



Key Readings (Books And Papers)

[An Evaluation of Phare-Financed Programmes In Support Of SMEs, Final Synthesis Report](#) European Commission, February 2000.

This report evaluates Phare-financed programmes in support of SMEs in ten countries: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia, which were receiving funds from PHARE Programme from 1990 to 1998. This report is based on in-depth analysis and assessment of institutional support programmes – including SME policies and reforms, national SME agencies, business supports centres, and financial support programmes – loans, grants, micro-credit, guarantee schemes and equity funds. The report evaluates the performance of these programmes and drawing upon the experience and lessons learned, it provides recommendations and guidelines for the future. The evaluation criteria used include relevance, efficiency, effectiveness, impact and sustainability.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=1955

[Assessing Markets for Business Development Services: What Have We Learned So Far?](#) by Miehlabradt, A., ILO, 2002.

Based on 13 market assessments conducted by various donors, this paper looks at BDS markets and how developed they are. It also considers validity of some commonly held views of BDS market and tries to answer the question how the potential of BDS market for development can be assessed. A useful reading before undertaking market assessments.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=4802

[Assessing the Poverty Impact of Small Enterprise Initiatives](#) by Nexus Associates, Inc. for Donors Committee, September 2003.

This paper provides a conceptual framework for measuring the poverty reduction impact of SME programmes, particularly those that focus on BDS. It presents specific methods that can be used in such assessments. The paper provides recommendations for donor agencies for conducting impact assessment studies.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=4804

[BDS Reader – Primer: Developing Commercial Markets for Business Development Services](#) by Miehlabrandt, A. and McVay, M. ILO SEED, 2003.

The BDS Reader, prepared for the Annual BDS Seminar, presents the fundamental principles and approaches to BDS market development and summarizes key tools. It also provides examples how these principles and tools are applied. It is an introductory resource for newcomers to the field and a useful reference for experienced BDS professionals.

It addresses the following questions:

- How do BDS contribute to development?
- What is the market development approach to BDS?
- How do practitioners decide what services to promote?

- How do practitioners learn about existing markets for BDS?
- How do practitioners choose strategies to develop BDS markets?
- What strategies can develop sustainable access to BDS?
- What strategies can develop BDS markets?
- How can BDS program performance be measured?
- What lessons has the field learned in developing BDS markets?

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=4822

BDS Reader - Update by Miehlbradt, A., and McVay, M., ILO SEED, 2003.

The BDS Reader prepared for the Annual BDS Seminar presents the latest trends, innovations, current debates, and challenges as illustrated by examples of programs around the world. It addresses the following issues:

- BDS market assessment and the program design process
- Viable business models that deliver BDS to the poor
- New types of BDS (ICT)
- Management of BDS market development
- Performance assessment

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=4825

Benchmarking of Business Incubators by Centre for Strategy and Evaluation Services for European Commission, 2002.

This report proposes a business incubation model developed on the basis of research, literature review and survey of business incubators in the EU member states. The report also identifies best practices in business incubation and suggests key actions to be taken in setting up and operating incubators. For a concise review of 'good practices' identified by the project, please see the executive summary.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=4805

Best practice in providing BDS to SME by Asian Development Bank, GFA Management, Swiss Contact. Policy Discussion Paper No. 2 June 2001.

The paper looks at the shift in approach to the support to business development services and explores the implications for donors and governments.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=4807

Blue Book – Business Development Services For Small Enterprises: Guiding Principles for Donor Intervention by the Committee of Donor Agencies for Small Enterprise Development, 2001

The Blue Book outlines the new paradigm of BDS provision, which shifts the focus of the donor interventions from the direct provision and subsidies to a more strategic and sustainable BDS market development/facilitation i.e. facilitation of demand and supply of services, addressing the constraints which prevent BDS markets from functioning effectively.

Within this new paradigm, BDS services are viewed as private sector goods mainly delivered by BDS providers which are generally businesses themselves. Rather than supporting individual BDS providers, donors should work mainly through BDS facilitators - institutions (local or international) that have as their primary aim the development and strengthening of BDS market as such. In light of this, the donor interventions may include, among others,

support for research and innovation, development of new services/products, awareness raising among SME to use the services, and importantly monitoring and evaluation of impact of the interventions. Although this is a market-based model, it does not exclude public intervention – nevertheless the emphasis is on clear exit strategy for such interventions.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=4775

Business Centres for Small Enterprise Development: Experiences and Lessons from Eastern Europe by Sievers, M., Haftendorn, K. and Bessler, A., ILO SEED Working paper No. 57, August 2003.

This paper provides reviews the approaches to promoting business centres (BCs) adopted by different donors, including UNIDO, Swisscontact, USAID, EU, IADB and ILO. The experience shows that some business centres have not achieved financial sustainability. Although reasons for this vary, frequently, BCs have either not had the appropriate exit strategy from funding or have found it difficult to achieve the right mix of service products that would generate income and address vital MSE needs at the same time. The authors observe that by being more market-driven, some BCs have been able to serve a large number of enterprises ensuring an institutional sustainability based on a variety of income sources. The income generated by these BCs usually comes not only from MSEs, but also from local donors and authorities.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=4812

Business Development Services for Micro-enterprise by Harper, M., July 2001.

The author's aim is stimulate thinking and perhaps questioning of the current commonly held views of business development services. The paper begins with discussion about the range and applicability of non-financial business services to poor people, and the need for subsidy of these. It then goes on to look at eight examples of BDS delivery and their impact. Finally, lessons are drawn out from these examples for both impact assessment methodologies and institutional learning processes.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=4815

Business Development Services: Review of International Experience by Levitsky, J., (ed.). ITDG Publishing, 2000.

This book reviews the experience of donor agencies in supporting business development services for SMEs. It includes more than 20 papers presented at Donors Committee conference on business development services in Rio de Janeiro, Brazil in March 1999. Case studies examine ways in which achievements have been made in reaching out to beneficiaries, and in the impact of the services on individual firms, institutions providing services, as well as on macro-economic factors such as employment and living standards.

<http://www.developmentbookshop.com/book.phtml?isbn=1853395064>

Business Training Markets for Small Enterprises in Developing Countries: What do we know so far about the potential? by Suzuki, A., ILO SEED Working Paper No. 32, October 2002.

This paper looks at the BDS market approach in the context of training markets for SMEs. It looks at both supply and demand side and identifies the key challenges for developing sustainable training markets for SMEs. The paper concludes that training supply in the private sector comprises an important part of the total training supply in developing

countries. However, the training market for SMEs has not yet developed as much as it could, because there are “uneducated” potential customers on the one hand and sceptical suppliers on the other. The paper also tries to show that there are major obstacles faced both by SMEs and private trainers. By taking the role of a facilitator, donors’ interventions could help the market to overcome these obstacles. This would help private trainers penetrate the grey zone of the market, and identify areas where subsidies may be justified.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=4817

Getting Realistic about Creating Financially Sustainable Business Development Institutions by Stanton, D. and Boulter, R., DfID, 2002.

This paper briefly reviews 3 particular BDS institutions supported by DFID in the context of the current emphasis on achieving financial and institutional sustainability. It is argued that the goal of sustainability is in most cases not realistic. Even good BDS providers operating in weak developing country markets also need long-term investment capital from governments, the private sector and donors to sustain institutional growth, and to develop new services. Achieving financial sustainability in BDS should not and cannot be based on fee income alone. BDS institutions can cover their costs from a variety of sources alongside BDS fees including private sponsorship and public subsidies, investments or membership subscriptions.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=4818

Guide to Market Assessment for BDS Program Design (Manual) by Miehlsbradt, A., ILO, 2001.

This is a very useful and comprehensive guide for donor agencies and facilitating organizations before they start designing BDS programmes. The guide explains the reasons for market assessment, what information an assessment can provide and what are its limitations, what information an assessment should aim to collect and what tools are available for collecting information, how this information should be analyzed and used for programme design and last but not least, how to keep market assessment cost-effective.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=4819

Mapping the Shift in Business Development Services: Making Markets Work by Harper, M. and Tanburn, J. (eds.). ITDG Publishing, March 2004.

This book explores the changes that have taken place in the way the assistance to small businesses is provided. It attempts to show how to make markets work, how to reduce dependence on donor agencies and explores critical issues related to the new market approach.

<http://www.developmentbookshop.com/book.phtml?isbn=1853395900>

SEEP Guide to Business Development Services and Resources by SEEP Network.

This guide summarizes different BDS types, donor strategies, selection of services and service delivery mechanisms and performance measurement. It also refers to case studies and examples of best practices around the world, current donor debates and provides references to further resources.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=4820

Synergies through Linkages: Who Benefits from Linking Finance and Business Development Services? by Sievers, M., and Vandenberg, P., ILO SEED Working Paper No. 64, 2004.

This paper explores the option of linking financial and non-financial business development services, which have been predominantly provided separately. By analyzing 25 examples of linking, the paper considers the costs and benefits of linking these two types of services for the enterprises, financial service providers and business development service providers. The paper suggests that there is no one best type of linked service delivery, but that the circumstances of local providers and their markets will determine which approach is appropriate. It suggests, however, that voluntary provision is preferable to compulsory approaches, that the 'unified' or single department approach should be used sparingly, and that smaller microfinance institutions should attempt to partner instead of adding a parallel department.

http://rbec.undp.org/index.cfm?menu=p_search/p_result/p_documents&DocumentID=4821



JOURNALS

Journal of Small Business Management

Quarterly published journal features articles on small business development and entrepreneurship. The topics covered include consulting services for SMEs, education programmes for entrepreneurship, SME finance, etc.

<http://www.be.wvu.edu/serve/bureau/jsbm/index.htm>

Small Business Economics

This journal focuses on the economic analysis of the role of small business, the links between firm size and performance, the distinct roles of differently sized firms, how and why firm behaviour and strategy vary with size, the determinants of the formation, growth, and dissolution of firms and the relationship between firm size and innovation. It includes articles focusing on institutions and public policies, within national and international context.

<http://www.kluweronline.com/issn/0921-898X/contents>

Small Enterprise Development

This journal provides a forum for those involved in designing and running small enterprise development and microfinance programmes in developing countries.

<http://www.itdgpublishing.org.uk/sed.htm>

INSTITUTIONS AND WEBSITES

Committee of Donor Agencies for SME Development

<http://www.sedonors.org/>

This website provides the information about the Donor Committee, its member agencies and activities. The purpose of the Donor Committee is to foster greater cooperation and coordination among donor agencies engaged in support of SME development. Current members of the committee includes 19 multilateral development agencies including the

World Bank, UNDP, ILO, UNCTAD and the main regional IFIs (AfDB, ADB, EBRD and IADB) as well as 18 bi-lateral donor organizations. BDS related documents can be accessed at http://www.ilo.org/dyn/bds/bdssearch.home?p_lang=en

Competency based Economies through Formation of Enterprise (CEFE)

<http://cefe.gtz.de>

This is the website of GTZ project CEFE International. It operates according to the CEFE method, which is a training concept based on a comprehensive set of training instruments using an action-oriented approach and experiential learning methods to develop and enhance the business management and personal competencies of a wide range of target groups, mostly in the context of income and employment generation and economic development. The main objective of CEFE International is to improve the entrepreneurial performance of economic actors through guided self-analysis, stimulating enterprising behaviour, and the build up of business competencies. CEFE maintains a virtual library which includes a variety of papers, analyses and reports related to BDS.

<http://www.cefe.net/scripts/user1.asp?Sprache=1&DokID=1925>

Enterprise Development Impact Assessment Information Service (EDIAIS)

<http://www.enterprise-impact.org.uk/>

This website has been commissioned by DfID's Enterprise Development Department. The purpose of EDIAIS is to provide services, information and expertise on impact assessment of enterprise development interventions.

European Union – Promoting Entrepreneurship and SMEs

<http://europa.eu.int/comm/enterprise/entrepreneurship/index.htm>

This website provides comprehensive information about EU's policies and programmes for support of SMEs and entrepreneurship. It includes a variety of topics including supporting entrepreneurship, BDS, access to finance, SME innovation, social economy and others.

BDS related documents can be accessed at

http://europa.eu.int/comm/enterprise/entrepreneurship/support_measures/index.htm This site covers the following topics: training and education for entrepreneurship, start-up SMEs, business incubators, networking and clustering. It includes a variety of policy documents, reports, case studies, good practices and databases.

ILO – SEED Programme

www.ilo.org/seed

This website provides information on BDS, informal economy, job quality, market opportunities, policy environment, representative associations and women entrepreneurship. It offers various publications, working papers, reports and case studies. BDS publications can be accessed at

http://www.ilo.org/dyn/empent/empent.Portal?p_prog=S&p_subprog=BD

OECD – SMEs and Entrepreneurship

http://www.oecd.org/department/0,2688,en_2649_34197_1_1_1_1_1,00.html

OECD website on entrepreneurship and small enterprises.

Small Business Research Portal

<http://www.smallbusinessportal.co.uk/index.php>

This portal contains a variety of useful links to internet sites for business researchers, policy-makers and support agencies.

Small Enterprise Education and Promotion - SEEP Network

<http://www.seepnetwork.org/>

The SEEP Network is an organization of more than 50 North American private and voluntary organizations that support micro and small business and microfinance institutions in the developing world. This website provides the information about the SEEP Network members, a variety of publications and papers, information about events and learning opportunities.

UNIDO Private Sector Development

This website offers information about UNIDO's services, events and publications and covers the following issues: business partnerships, business development services, SME clusters and networking, rural and women entrepreneurship,

<http://www.unido.org/doc/18233>

TRAINING OPPORTUNITIES

ILO BDS Annual Seminar

<http://learning.itcilo.it/bdsseminar/>

The Annual Seminar brings together BDS practitioners from around the world, who are engaged in designing and implementing projects to support small enterprise development and all share an interest in new ideas and approaches that may increase effectiveness.

ILO International Training Centre – Enterprise development

<http://www.itcilo.it> and

http://www.itcilo.org/pub/page_main.php?VersionID=2&ContentTypeID=21

The ITC offers SME related training courses in the following areas: entrepreneurship education, business environment for SMEs, financial services, BDS, women's entrepreneurship, enterprise restructuring, local economic development.

With regard to BDS, ITC offers the following courses:

- Developing Commercial Markets for BDS
- Managing BDS Providers for Increased Impact
- Diploma Course in Market-Oriented BDS
- SME Cluster Development: Principles and practice (with UNIDO)

The calendar of offered training course can be viewed at

http://www.itcilo.it/english/bureau/turin/training_calendar/index.htm

Springfield Centre

<http://www.springfieldcentre.com/>

The Springfield Centre is an independent consulting, training and research organization specializing in private sector and small enterprise development in low-income economies. It offers Business Development Services Training Programme, which is an intensive UK-based 3-week course focusing on BDS programme design and management, with a practical emphasis. Aimed at senior staff in BDS funding, promotion and implementing organizations, the programme covers the essential principles, core skills and emerging experiences of BDS best practice.