

**How Sustainable Can
Business Development Services
Really Be?**

Report on the Harare Workshop
29 September to 1 October 1998
by Jim Tanburn

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FOREWORD

The Committee of Donor Agencies for Small Enterprise Development has, since 1979, provided a forum for the exchange of information and coordination of activities regarding small enterprise. It encourages consistency among donor programmes by distilling lessons of experience into common principles for assistance. A focus on finance in the early 1990s led to the publication of *Micro and Small Enterprise Finance: Guiding Principles for Selecting and Supporting Intermediaries*.

The Committee has since turned its attention to non-financial services. The wide range of business development services (BDS) receiving donor assistance and the lack of a consensus on “best practices” make this an especially complex topic. The Committee therefore published *Business Development Services for SMEs: Preliminary Guidelines for Donor-Funded Interventions* in January 1998, to highlight some of the lessons of experience and the key issues in this field. It provided a framework for gathering empirical information through case studies, which in turn will form a basis for more refined guidelines on what works (and what doesn't) in certain types of BDS.

At the global level, a substantial number of case studies will be presented at an international Conference, scheduled to take place in Brazil in March 1999. That Conference is being organised by the BDS Working Group of the Donor Committee, with particular support from the Inter-American Development Bank (which is organising a regional BDS event in the latter half of the same week). In order to prepare for the global Conference, DFID and the ILO took the initiative to organise a regional event for sub-Saharan Africa, drawing (among others) on a number of case studies proposed for the Brazil conference. This Working Paper summarises the lessons learned from the case studies, presentations and discussions at that event, and therefore represents an important input to the global Conference in Brazil.

The Committee hopes that this Working Paper will stimulate dialogue among donors, practitioners and governments on the objectives and effective methodologies for supporting services aimed at developing small enterprises. This dialogue, and the findings from the planned Conference, are expected to lead toward more effective interventions to support a dynamic, indigenous private sector in developing countries.

William F. Steel
Committee Co-Chair

PREFACE

This Working Paper represents an important addition to the body of knowledge on emerging best practice in Business Development Services. While the *Preliminary Guidelines for Donor-Funded Interventions* was based on a very wide range of experience, this document, and the associated Workshop, have brought together systematically in-depth experiences generated and documented with the support of several donor agencies. In addition, this Working Paper documents the discussions and inputs made by many participants during the event itself.

The Working Paper, and the full texts of individual papers presented in Harare, are available at the Donor Committee's website: www.sedonors.org

While the ILO set the organisation of this Workshop in motion, most of the 'core' costs were covered by the Department for International Development (Government of the UK); additional financing was made available by the Government of the Netherlands, through the 'FIT project. The following donor agencies sponsored the preparation of papers, and/or the participation of individuals in the event:

- Canadian International Development Agency
- Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH
- Ministère des Affaires Étrangères, République Française
- Ministero Affari Esteri, Government of Italy
- Norwegian Agency for Development Cooperation
- Swiss Agency for Development and Cooperation (SDC)
- United States Agency for International Development
- World Bank

The Ford Foundation contributed to the costs of publishing this Report, as part of their input to the sequence of events sponsored by the Committee of Donor Agencies for SED. All of these inputs are gratefully acknowledged.

The Workshop itself was implemented by a team of four 'directors': Jim Tanburn (ILO), Richard Boulter (DFID), Alan Gibson (Springfield Centre for Business in Development) and Anne-Marie Chidzero (International Capital Corporation). All have contributed to this report, and their contributions have also been much appreciated.

While this Working Paper fleshes out the picture considerably, it also highlights some important questions which remain to be resolved, or about which more information is needed. The ILO remains strongly committed to this process of exploration, through both the global conference in Brazil next March, and planned regional follow-up events for Latin America, Asia and elsewhere. The need to stimulate the creation of employment opportunities of high quality remains as urgent as ever.

On behalf of the ILO,

Michael Henriques

1. Introduction

Donors and governments view the growth of small enterprises as critical to coping with the challenges posed by rising unemployment¹. For at least two decades, therefore, donors have been supporting the provision of non-financial services, or 'Business Development Services' (BDS), for small enterprise development. These services include training and counselling, as well as services to improve access to appropriate technology, information and markets.

In most cases the services have been delivered with large subsidies, and cost recovery has only been a secondary issue. Recently, however, it has been acknowledged that this situation is unsustainable; small enterprises require continued support to meet changing and ongoing business development needs, while donor funds are finite. There is, therefore, increasing interest now in how BDS might be provided on a sustainable basis.

This interest has been further stimulated by the achievements of methodologies for the provision of financial services to small enterprises, particularly with regard to sustainability. 'Best practice' in this area has now been codified rather effectively; the Committee of Donor Agencies for SED, for example, has published a document on the topic, entitled "*Guiding principles for selecting and supporting intermediaries*" (the so-called 'pink' paper, published in October 1995). However, it has become apparent that the same consensus does not exist in the provision of Business Development Services.

As a result, the Committee of Donor Agencies for Small Enterprise Development (SED) established a Working Group, to begin to develop guidelines in the provision of BDS. A team of consultants, funded by GTZ and guided by the Working Group, produced a document entitled "*Business Development Services for SMEs: Preliminary Guidelines for Donor-Funded Interventions*"; this document was printed by the ILO in January 1998, in yellow covers. It is also available on the Web, at:

<http://www.sedonors.org>

Following this publication, planning was started for a global Conference on BDS. As part of the planning process, the British Department for International Development (DFID) and the FIT Programme² organised a Workshop to review the experience of BDS in sub-Saharan Africa. The Workshop was held in Harare and ran from September 28 to October 1, 1998. The case studies presented and reviewed in that Workshop were mainly those proposed for the global Conference, based on experience in sub-Saharan Africa; 15 papers were received in time for formal presentation, although several more were presented in additional sessions. Thus, the experience reviewed covered expenditure of tens of millions of dollars, provided by many donor agencies in many countries.

¹ The Committee of Donor Agencies for SED takes the term 'small enterprise' to include also micro and medium enterprises, as appropriate

² The FIT programme started as an inter-regional project funded by the Government of Netherlands, and implemented by the ILO's International Small Enterprise Programme (ISEP) and an NGO called TOOL. Over the last five years, it has been testing innovative approaches to sustainable BDS delivery.

1.1 Objectives of the Workshop

In order to focus on the issue of sustainability, the workshop had two main objectives:

- (i) to stimulate an exchange of experience and ideas on:
 - services that are in demand by small enterprises;
 - how to provide these at a sufficiently low cost to ensure sustainability; and
 - appropriate provision of BDS and opportunities for greater private sector involvement.
- (ii) to define an agenda for future donor interventions that would build on current experiences, innovations, and lessons on sustainability and performance.

Sustainability in BDS was defined by the workshop organisers at two related levels. Firstly, it is about developing BDS providers to deliver effective, demand-led *services* to small enterprises on a sustainable basis. This means building the institutional *capacity* of BDS providers as well as their financial viability. Secondly, sustainability is also about ensuring that the small enterprises themselves are sustainable, making long-term contributions to the generation of high-quality employment, and to economic growth.

The workshop organisers chose to focus on sustainability for three main reasons. First, sustainability of BDS delivery will help **improve quality** of services, and it will require that BDS providers deliver services that are demanded by the SME marketplace. Secondly it will help expand *outreach* by encouraging services to be designed and delivered in a manner that permits the expansion of outreach cheaply and with limited (or no) external subsidy. Lastly, sustainability improves *cost effectiveness*: in a climate of limited donor funds. It helps focus the attention on developing cost-effective BDS services based on locally appropriate organisations.

To achieve the workshop objectives, and because there are many outstanding issues in BDS, the workshop sought to focus the discussions around four broad issues relating to the central theme of sustainability.

- (i) **What are the key measures of sustainability for BDS? What indicators do we have for different aspects of sustainability? Can financial measures be used as a proxy indicator (as in microfinance) for wider institutional sustainability and impact? Are there benchmarks of performance for particular services?**
- (ii) **Does the pursuit of greater financial sustainability make BDS more effective? Are there trade-offs between financial sustainability with other objectives - such as impact? In which services or sectors and for which clients is financial sustainability most (and least) relevant? Under what conditions (if any) are subsidies justifiable and of how much?**
- (iii) **What is the long-term role of the state in the provision of sustainable BDS? Delivery, subsidy, regulation, co-ordinator or what? Should the focus be on bigger macro-economic and policy issues? When, if ever, should the state interfere in the BDS “market”?**

- (iv) **What actions should practitioners and donors take to improve sustainability in BDS? Who should donors work with? How can the private sector be more involved? How can providers be developed which do not displace other activity and are closer to SMEs than to donors? What should be the focus for donor investments: services, skills, and organisations?**

These issues are explored, using this structure, in some detail in Chapter 3.

1.2 Participants

Participation in the Workshop was limited, for practical reasons, to about 100 people; in one sense, this was unfortunate, since many more expressed an interest in attending. In order to stimulate the best discussion, participants were selected to cover the following categories:

- (i) *'pioneers' in BDS delivery in sub-Saharan Africa.* About two thirds of the participants were BDS providers, who came from 15 African countries³. They included representatives of NGOs, project staff and private institutions. All had a common vision: to provide business services to support the growth of small enterprises, and thus to contribute to job creation and economic growth.
- (ii) *SED experts from donor agencies:* About one third of participants, representing 12 multilateral and bilateral donor agencies, attended the workshop⁴. As individuals, and in their capacity as representing the commitment of their organisation to SED, the Workshop benefited from the participation of some of the leading donor experts in small business development.
- (iii) *Government officials:* Although representation of the BDS providers dominated the workshop, a number government officials also attended, testifying to the importance given by their governments to SED.
- (iv) *Others:* There were a few private consulting firms, and think-tanks represented; while not directly involved in BDS delivery, they had studied, evaluated or contributed in other ways to a greater knowledge of good practice in BDS delivery.

1.3 Workshop Agenda

The Agenda for the Workshop is attached as an Annex. It shows that the event was carefully organised around plenary and groups sessions, to maximise individual contributions. Presentations were delivered in plenary sessions on 14 case studies; those case studies were in the following categories:

- Training and Counselling (6 case studies)
- Business Linkages (1 case study)
- Access for small enterprises to information (2 case studies)
- Technology (1 case study)

³ Benin, Burkina Faso, Côte d'Ivoire, Ghana, Kenya, Madagascar, Malawi, Mozambique, South Africa, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe

⁴ Austrian Co-operation, British DFID, European Union, Finland, GTZ, ILO, Italian Ministry of Foreign Affairs, NORAD, Royal Netherlands Embassy, Swiss Agency for Development and Co-operation, USAID, and World Bank.

- Marketing (2 case studies)
- BDS Delivery and Organisations (2 case studies)

This thematic distribution is broadly representative of donor interest in recent years, corresponding closely, for example, to the distribution of current DFID BDS funding in sub-Saharan Africa.

The workshop was opened by Mr. Peter Rundell, Deputy Head of DFID, who briefly presented the work of DFID in the region. He noted the need, from the perspective of DFID, for BDS to target poverty alleviation. He also called on participants to identify new and imaginative ways in which to stimulate the sustainable provision of BDS. Ms. Jane Hodges also spoke at the opening, on behalf of Mr. Peter Peek, Director of the ILO's Southern Africa Management Advisory Team in Harare. She emphasised the need for participants to consider the qualitative aspects of the employment created through their interventions, so that fundamental human values and rights would be respected.

Following the opening remarks, the workshop Directors presented the analytic framework for the workshop. They noted that the provision of BDS may be considered at three levels: the micro level, to develop client responsive services; the meso-level to support efficient, cost-effective and viable local service providers; and the macro-level to ensure the existence of a conducive policy and regulatory environment for MSME development. Donor and government interventions can work at any of these levels, but the Workshop would focus on the first two levels (i.e. micro and meso levels).

Some key principles, for which a consensus has already been established, were reviewed. In particular, BDS need to be provided in a business-like manner, with small enterprises being treated as clients, not as beneficiaries. Services must be focused on particular client needs, but must still retain the potential for scaling up, and for significant outreach. Participatory approaches should underpin design and delivery methods, to build local ownership as much as possible. Impact, and financial and institutional performance, should be measured wherever possible. Sustainability must be considered from the outset, with any subsidies being provided within a clear framework.

The role of the private sector was raised within this context. Is financial sustainability really impossible (as some development workers suggest) when the private sector is already providing a range of BDS, for profit? Participants were challenged to think about additional services, both within and outside the normal definitions of 'service', which could be provided by the private sector; how could the private sector be stimulated to provide new services? And what roles should donor agencies play, in order to catalyse greater involvement by the private sector?

Working groups on the first two days were divided, to mix participants as much as possible; each group was asked to address the four questions posed above. On the final day, participants were divided into two groups of participants from donor agencies, one from host governments and three from BDS providers. The following questions were posed to the donor and government groups:

- (i) How can we avoid introducing market distortions when intervening in BDS?

- (ii) What are the priorities in supporting BDS -- investments in building BDS services and providers, or subsidies for the delivery of BDS?
- (iii) When should support be withdrawn, and how?
- (iv) What services are in fact public goods, delivered to meet social objectives, and which ones can and should be delivered by the private sector?

The BDS provider groups were given a different set of questions:

- (i) Which of the following approaches is appropriate for the different types of BDS services?
 - Delivery of BDS with an ongoing subsidy
 - Development of a sustainable service, which is then ‘spun off’ into the private sector
 - Facilitation of the private sector to provide the service
- (ii) What are the most important problems which future research should address to improve our understanding of what works and what doesn't work in BDS
- (iii) What outputs should the workshop produce?

What follows in this report reflects the richness of the debate; not all of the questions were answered, but the event did stimulate a great exchange of knowledge and information. Chapter 2 contains 3-5 page summaries of the 14 case studies presented in the main body of the workshop. Chapter 3 then provides an analysis of the case studies and the information generated during the various plenary and group discussions. From this analysis the final Chapter 4 outlines a "Future Agenda" and process towards further refining the debate in BDS.

2. Abstracts of case studies presented

Since each case study was 15-20 pages long, it was not considered practical to include the full text of each one in this report. Therefore, the Workshop Directors have abstracted the key information about each case, and their abstracts are presented in this Chapter.

As mentioned above, the full texts are available on the ILO Web server; these abstracts assume a basic knowledge of SED, and therefore present only the details considered ‘unique’ to that particular case. They also attempt to present the material in an objective light, posing questions where answers are not apparent from the individual cases.

In particular, each abstract has been updated in the light of the presentations and additional material presented during the Workshop. In a few cases, further clarification has been sought from the author and/or the service provider described in the profile.

All financial information is presented in terms of US dollars, converted at the current rate of exchange.

The common framework used for each abstract has the following headings:

1. The distinctive features of the services and provider
2. Sustainability: What picture of the future does the intervention have?
3. Donor support for the intervention
4. Impact and other achievements
5. What can we learn from this experience?

A summary of the main data provided in each case study is provided in a Table, as Annex II.

2.1 Enterprise Support Services for Africa (ESSA) Project, Ghana

Authors: Mary M. Lynch, M. M. Lynch Consultants International Inc., Kwame Young-Gyampo, John Young & Associates

Sponsor of Paper: CIDA

2.1.1 The distinctive features of ESSA

ESSA aims to broker relationships between small and medium enterprises (SMEs) and consultants in Ghana. The rationale is that, if SMEs purchased consulting services more, their performance would improve, and they would be able to grow more rapidly. Similarly, if more SMEs purchased consulting services, the private sector would respond by providing more services, of better quality. The ‘bottleneck’ is that SMEs are not aware of the potential advantages of using consultants; therefore, ESSA assists SMEs to develop commercial relationships with consultants, and provides some initial subsidy for consulting services purchased by the SMEs.

Thus, the function of ESSA is essentially one of priming the pump; services are provided, not by ESSA, but by providers within the private sector. Some capacity building is also provided to the local consulting firms, and to other service providers; in particular, the Ghana Institute of Management and Public Administration (GIMPA) has been assisted to develop and offer group courses which SME clients can access, on a fee-paying basis.

The majority of ESSA's clients are small enterprises with more than 5 employees, and an annual turnover up to \$400,000; some clients, however, are larger, with annual turnovers of up to \$1 million. Clients must have the financial capacity and commitment to implement actions identified by ESSA and the consultants. The larger firms are expected to pay a higher portion of the cost of consultancies.

The services that are offered are in response to the specific needs of the SME client; ESSA considers one of the most distinctive features of its work to be that the SME is always the client, participating in both the design and the implementation of the service. ESSA staff work with the SME to assess the firm's capacity, operations, and commitment to bring about internal changes. Modules of specialised support are then developed, addressing operational, technical and management problems. These modules are provided over a period of time by a local consulting company and have included assistance in MIS, reorganising operations, technical training in high technology areas, and in management.

2.1.2 Sustainability: what picture of the future does the intervention have?

The aim is to have SME clients ultimately paying 100% of the costs of service provision by the private sector. After about 1.5 years of operation, clients are paying an average of \$6,800 for consulting services, representing about 50% of the direct costs (on average, \$13,160 per client); the proportion of costs recovered is reported to be rising. For training activities, cost recovery is currently running at 84%, and 100% recovery of the direct costs is expected during 1999. However, it may be noted that all GIMPA courses are also subsidised by the government; one course on finance, for example, costs participants only \$50.

As indicated above, it was not initially considered that ESSA itself should become self-sustaining. It does not require clients to pay its brokering costs or the support services provided by its staff, and only recently has it started to collect the information which would be needed to cost accurately the time inputs on the various ESSA activities. In general terms, though, it is noted that overhead costs are running at about \$6,700 per client, assuming 25 are served per year. Thus, income generated by charging clients for consulting services is covering about 33% of total costs.

ESSA is now beginning a strategic planning process to identify the options for it to achieve financial sustainability, itself, as an organisation. If it does not simply 'work itself out of a job' (as originally implied), or transfer its functions to another institution, it has two options. One is for full cost recovery to be achieved through charging higher rates for consultancy services, and through starting other revenue-generating activities to cover overheads. The other option is to continue on the current basis, with partial sustainability. To reduce its costs in this scenario, ESSA would need to look for partnerships with other organisations to share overhead costs.

2.1.3 Donor support for the intervention

ESSA was created in Ghana, in February 1996, under the African Project Development Facility (APDF) of the International Finance Corporation (IFC). The IFC, through APDF, is implementing ESSA with co-funding from CIDA. This implementing arrangement was done to ensure synergies between the activities of ESSA with those of APDF. APDF provides assistance to SMEs in securing financing. ESSA was designed to assist APDF clients after

financing was secured. ESSA is currently being replicated in other Africa countries. It will need continued donor and government funding.

2.1.4 Impact and other achievements

ESSA keeps computerised baseline information on its clients, which is collected during the assessment phase and then periodically updated. As at March 1998, it has managed to serve 29 SME clients, which between them employ over 2,000 direct employees. The performance indicators now being used to assess impact at a client level include:

- % increase in sales and profitability
- number of new jobs created
- number of staff trained
- increase in wages (above inflation)
- changes in unit costs and/or production
- increase in export production and markets, and % increase in export sales as a % of total sales (for exporting firms)

Only four consultancy contracts have been completed to date, and the project has therefore not been able, yet, to generate meaningful impact data. However, preliminary results show improvements in most of these indicators.

With respect to consulting firms, ESSA has been working with both large and small firms. The large firms say they benefit by gaining access to a market they find difficult to reach. They also see gains in terms of broadening their services and improving quality to meet the needs of the client base. However, these firms express only limited increases in operational and institutional capacity. The smaller firms are usually more specialised and there is greater impact in terms of improved capacity. ESSA also helps them develop new products and to identify niche markets.

2.1.5 What can we learn from this experience?

ESSA applies many of the good practices of BDS. It provides highly specialised and focused services based on client needs. It supports firms that have growth potential and are responding to real market opportunities. ESSA helps them tap these opportunities by improving their productivity and profitability, while helping them expand. The challenge is to support SME growth through the provision of business development services without crowding out the private consulting firms. Although ESSA is designed as a broker between SMEs and consulting firms, a measure of its performance will be the extent to which it is in fact successful in stimulating a supply response from private consulting firms. A related question, in the longer term, is whether a focus on slightly larger enterprises, with high potential for growth, can give greater value for money than a focus on the more numerous, smaller enterprises.

2.2 The Empretec Ghana Foundation (EGF): Developing a broad product portfolio organisation

Author: Alan Gibson, The Springfield Centre for Business in Development

Sponsor of Paper: DFID

2.2.1 The distinctive features of EGF

Underlying rationale

EGF is not concerned with one specific constraint facing SMEs; rather it believes that SMEs face a range of non-financial (and financial) constraints in relation to skills, knowledge, linkages and market access. Historically, development interventions have sought to address these through one-off projects - “packages” of activity within a finite period. But these services have been delivered in a non-business-like, non-sustainable manner, and do not address SMEs’ key needs. As a result, there has been little positive impact, and private service providers have not developed to meet SMEs’ needs

EGF’s response to this situation has been to develop an organisation which, in all aspects of its work - product mix, systems, culture, structure and client base - aims to put greater emphasis on operating in a business-like and sustainable manner.

The client base

EGF focus on high growth potential SME “winners” with a total asset base in the range \$40,000-\$400,000 and who are registered companies. Clients are predominantly male (around two-thirds), comparatively wealthy and often well-educated. Average employment size is 20-30 on average but ranges from 5 to 100.

The services

SMEs have two main routes through which they may gain access to EGF’s portfolio of services: the entrepreneurship programme or registration following an initial diagnostic health check. EGF’s overall “offer” to SMEs is comprised of products which can be classified under three headings:

1. Training: ranging from a 10-day flagship entrepreneurship development programme to shorter generic programmes on issues such as stress management or sector-specific programmes, for example aimed at the banking sector.
2. Consultancy/extension: EGF clients are entitled to business extension and diagnostic services directly from EGF staff. In addition, they can access low cost specialist one-to-one consultancy services drawn from a roster of consultants (EGF manages two subsidised consultancy schemes for donor agencies) and longer-term expertise from foreign - and increasingly local - retired/semi-retired executives (EGF works with British Executive Service Overseas).
3. Credit facilitation: the key service here is subsidised accountancy services to encourage better book-keeping and hence attractiveness to finance organisations⁵.

⁵ Additionally, EGF operates a \$1m loan fund.

2.2.2 Sustainability: what picture of the future does the intervention have?

The strategic development of EGF has been guided by concerns over sustainability. Having started as a temporary project, it quickly perceived that not only did this not meet the needs of SMEs, but that it did not offer a conducive environment in which people, products and systems could be expected to develop.

EGF regards itself as a long-term provider of a range of business development services to SMEs and as a competent manager of projects for donors. It therefore regards SMEs and donors as “clients”. Both are important in its picture of sustainability; it envisages reduced reliance on donor funds but not independence from them. Several key characteristics emerge from this approach to sustainability:

- A strong emphasis on financial sustainability in the organisation: the bottom-line for EGF is reduced dependence on external funding through increasing the proportion of overheads covered by internally-generated funds. It aims to increase this figure to 40% by the year 2000 and (Table 1) is making considerable progress towards this goal. However, “internally-generated funds” does not here equate with revenues directly from SME clients only. A key source of revenue in the past has been donor clients who have engaged EGF to undertake consultancy work in other African countries (as distinct from delivering projects within Ghana). This may account for around half of the total internally-generated funds in 1996-97.

Table 1: EGF overhead costs and internally-generated funds, 1995-97

	<u>Overhead costs</u>	<u>Internally-generated funds</u>	
	(\$)	(\$)	%
1995	281,000	137,000	48
1996	547,000	154,000	28
1997	487,000	180,000	37

- Realistic product pricing for SMEs: EGFS’ approach to pricing is changing. Training products currently cover costs in many cases (between 74% and 200+% of direct costs are recovered by revenues, for the various training products). These products are now expected to generate a 30% contribution to overheads. In one-to-one products, however, prices are effectively fixed by arrangements with sponsoring donors. The general trend is for financial transparency and a market basis for pricing decisions.
- Building on leadership and ownership: the path of development followed by EGF was shaped by its founding CEO who built a strong management team, an appropriate working culture and strong business orientation which helped to define the organisation. Importantly, the considerable resources invested by donors in EGF’s organisational development have been in support of this *owned* vision.
- The cost base “downside”: donor investment in people, equipment and systems, while clearly helping to create the organisation, have developed a cost base which is difficult to sustain from revenues. For every fee-earning day there are many non-fee earning days; addressing this remains a challenge for EGF.
- EGF as a player and *sometime* facilitator: while EGF is primarily concerned with developing itself as a resource for SME development in Ghana, for some donors (especially DFID) it seeks to facilitate wider institutional development. In particular, it is currently working towards the development of the Empretec Forum - a membership organisation for entrepreneurs; the Ghana Executive Service Overseas - an organisation tapping into low cost/voluntary expertise among retired and semi-retired Ghana executives; and mutual guarantee associations among SMEs to provide financial services.

2.2.3 Donor support for the intervention

Having started initially with support from UNDP and the private sector, EGF's funding base has grown significantly in the last few years. Currently, among the key donors are the following:

- DFID: \$1.6m over three years to 2000 for institution capacity building, business development services and new product development
- World Bank: \$2.2m for five years (up to 2000) to manage a matching grant Technology and Enterprise Development Fund
- EU: \$0.5m for four years to manage a Business Development Planning Fund supporting consultants to prepare business plans for SMEs
- UNDP: support over three years to November 1998 to set up and manage a \$1m loan facility

Support from the World Bank and EU has been for specific subsidised "matching grant" consultancy schemes. No specific picture of sustainability is attached to these, other than the - perhaps brave - hope that they lead to the development of sustainable SME consultancy markets. Certainly, there is nothing in these to suggest that they will lead to EGF becoming a sustainable provider of consultancy services without continued external support.

DFID support has been much more *involved* and aimed at the development of the organisation along with some specific services. Three aspects are worth highlighting:

1. DFID's view of sustainability - contained within its project document - corresponds to that of EGF, namely EGF as both a provider of services directly to SMEs and a project manager on behalf of donors;
2. the UK-based consulting group⁶ who manage DFID's inputs have managed to develop an intensive "mentoring" type of relationship which provides advice and training but which has not removed basic ownership from EGF itself; and
3. DFID support for the organisation has undoubtedly contributed to the creation of an organisational cost base which is largely unsustainable from SME product revenues directly.

2.2.4 Impact and other achievements

SME impact

EGF has over 650 clients on its database. At any one time, it has around 150 core, active clients. External costs per client are in the region of \$500-1,000. This is an exclusive group and therefore it should be expected that they perform better than the national average. Moreover, as EGF acknowledges, it is difficult to attribute business changes to EGF services and caution should be exercised in interpreting impact data. However, it is clear that clients have benefited from EGF services. On a qualitative basis, there are many examples of changes in business practice which have led directly to "bottom-line" performance improvement. In addition, several different surveys show employment growth of around 12% per annum among clients; with an average of 18-19 employees this equates to around 2 additional jobs per annum.

⁶ Rural Investment Overseas

Organisation and market impact

In relation to the organisational development of EGF and the wider BDS “market” in Ghana, two positive accomplishments can be cited. Firstly, there has been the development of a strong institutional capacity. This is manifested, for example, in a high level of competencies; improving systems; reducing reliance on donors; and the tangible sense of ownership and positive culture within the organisation. Secondly, there has been the development of “financially sustainable” products: appropriately-designed training products for growth-oriented SMEs should at least cover all their direct costs from charges and increasingly are expected to contribute to overheads.

More speculatively, EGF’s facilitating role in encouraging the development of local institutions may also contribute to a more sustainable market. However, for some other products, notably one-to-one consultancies, EGF is an active participant in delivering products with a sizeable, built-in demand subsidy; the extent to which this is contributing to positive BDS market development is unclear.

2.2.5 What can we learn from this experience?

Lessons

A number of lessons emerge from EGF’s experience which are of wider relevance to BDS organisations. These generally re-affirm key principles from the Donor Committee guidelines and emphasise the importance of:

1. Building on strong leadership and vision: supported (rather than supplanted) by external aid, EGF has developed a strong sense of its own identity and path ahead.
2. A business-like working culture: the values of EGF, shared widely in the organisation, stress the need to approach its mission in a business-like manner; importantly its relationship with its clients is transactional and payment-based.
3. Productive technical assistance: with a strong organisational base, technical assistance from external consultants has improved its organisation and products.
4. Operationalising sustainability: sustainability is manifested primarily in clear financial targets but also guides EGF in relation to product development and structure; it is more than an abstract notion.
5. Realistic market pricing: SMEs with growth potential will pay a full cost for suitable training products and EGF’s pricing policy aims at modest profit margins.
6. A commitment to measurement: while the wider monitoring and evaluation system is still under development, measurement of performance with respect to financial information is at the heart of operations.

Challenges

EGF’s experience also raises some fundamental questions about support for BDS.

Can BDS organisations be developed without creating an unsustainable cost base?

While EGF has developed generally in a business-like way, its cost structure is not that of a for-profit business. The (relatively expensive) organisational capacity-development process may thus take EGF away from the SMEs which it aspires to being close to and undermine the possibility of achieving improved financial sustainability. One possible reason for this situation is that EGF needs to have additional capacity to serve both donors and its SME clients. Another possible reason is that assistance from donors guides EGF towards development as a mirror image of a BDS agency from an industrialised economy - competent

but perhaps out-of-place and unsustainable in the market conditions of a low-income developing economy, a parallel structure sustained primarily by external finance.

Can demand-led BDS organisations maintain an SME focus?

An organisation such as EGF, driven by the need to enhance revenues to cover a relatively high overhead base, will obviously seek to work with clients where potentially higher margins can be achieved. In a market situation such as that which prevails in many African countries, where other (donor-supported) agencies are active, there are strong pressures on BDS organisations to reduce the proportion of their portfolio which is delivered to SMEs directly and work with “softer” donor-supported initiatives.

How can more “natural” market conditions be created for BDS?

Unlike microfinance where there is growing agreement that best practice requires minimal delivery subsidy, in BDS many products are subsidised heavily, a practice common in industrialised nations. Markets for one-to-one consultancy in particular are influenced enormously by donor-supported practices so that market prices (what SMEs are prepared to pay and what consultants expect to be paid) are largely a function of donor policies rather than “natural” and sustainable market processes. An overarching challenge for donor agencies is to intervene to create conditions where SME demands not (sometimes ill-considered) donor actions guide BDS organisations.

2.3 The Kenya Management Assistance Programme (K-MAP): Innovative delivery of counselling and training

Authors: Rob Hitchens and Alan Gibson, the Springfield Centre for Business in Development.
Sponsor of Paper: DFID

2.3.1 The distinctive features of K-MAP

K-MAP believes that the key constraint preventing small enterprises in Kenya from growing rapidly is lack of access to managerial and technical expertise. Its distinctive response is to develop a ‘skills bank’ of skilled volunteers from large companies and the formal sector, who provide counselling and training services to SMEs.

The client base

Clients are high growth potential, small-to-medium scale, within the Kenyan context; 60% were found, in a recent impact assessment for a training service, to have an income of more than \$3,500 per month (compared to the national average of less than \$300).

The services

K-MAP has two core services, counselling and training:

Counselling (One-to-one technical assistance)

This is K-MAP’s most distinctive ‘offer’ to clients. Entrepreneurs that register as K-MAP clients, paying a fee of US\$ 60 that entitles them to 5 counselling sessions. The content of these sessions depends on the needs identified by the client as a priority, and generally focuses on planning for growth, proposal preparation, and problem solving. A key principle in delivering counselling is to ensure it is client-driven. It has been found that greater client ‘ownership’ over sessions leads to more effective solutions and changes. Furthermore clients are at liberty to change counsellors if they are dissatisfied.

Training

K-MAP has developed a range of training products, offered in various formats, and at prices ranging from \$17 to \$583. Topics include business start-up (including specific programmes for graduates and redeployment of formal sector executives), growth, women entrepreneurship and exporting. Clients receive a package of training spread over a number of weeks, combined with complementary counselling sessions. Entrepreneurs receiving training are not necessarily K-MAP 'clients' (they are not obliged to pay the registration fee).

2.3.2 Sustainability: what picture of the future does the intervention have?

K-MAP has identified its role as a market-oriented 'broker' of skills and knowledge. It views itself as a business, delivering valuable services that its clients demand, with a clear view of its permanent role in the meso level as a BDS provider. Accordingly it has developed the requisite capacity to deliver BDS, currently employing 22 full-time staff in 3 offices in Kenya. A strong sense of mission and business-like attitude pervades all those associated with K-MAP, and is demonstrated by a high degree of service orientation throughout the organisation.

K-MAP staff do not provide services to clients. The 550 volunteer counsellors provide the bulk of one-to-one counselling and training services. It is important to consider the motivations that underpin these voluntary inputs:

- Large companies donate staff because involvement in K-MAP is seen to be valuable in terms of social obligations, public profile, networking and also because of the long-term importance of a growing SME sector to their own growth;
- All counsellors (and their employers) gain, in terms of career development and kudos; K-MAP structures the experience to maximise this. Aspiring counsellors are vetted and if accepted by K-MAP, are provided with high quality training. Prizes are also awarded each year for the best counsellors;
- Some private consultants and trainers donate their own time to K-MAP, as a 'loss leader', to gain experience and contacts.

In today's competitive climate, it may be increasingly difficult for large companies to donate the time of their executives; indeed, a number of K-MAP staff note that this seems to be the case. In that context, it is encouraging that private consultants are interested to volunteer their services.

K-MAP has a stated commitment to achieving full financial sustainability, but at this stage its costs are far from being covered. Despite free inputs of counsellors, delivering BDS based on voluntarism remains expensive. K-MAP does not disaggregate the 'costs' of these counsellors, but a considerable amount of secretariat resources are expended on the management and administration of counsellors. Most training products have received subsidy (for example programmes in Figure 2 received 15 % subsidy in March 1997). However some of K-MAP's training products are now being delivered with no subsidy, meaning that the proportion of K-MAP's income provided by donors is diminishing over time, and was less than 50% in 1997 (see Figure 1).

Figure 1: K-MAP financial sustainability 1988 - 1997

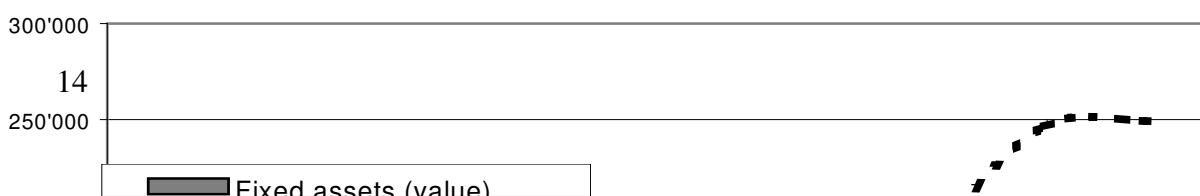


Figure 2: K-MAP “profitability” for two key training products

Product	Year		
	1997/8	1996/7	1995/6
<u>Business growth programme</u>	US\$	US\$	US\$
Total revenue from clients and donor	25,279	20,925	7,000
Direct costs ⁷	11,141	8,631	1,783
Surplus generated (as contribution to overheads etc.)	14,138	12,294	5,217
<i>Surplus as a proportion of total revenue (%)</i>	<i>56%</i>	<i>59%</i>	<i>75%</i>
<u>Business start up programme</u>			
Total revenue from clients and donor	9,750	9,000	2,250
Direct costs	5,544	5,124	630
Surplus generated	4,206	3,876	1,620
<i>Surplus as a proportion of total revenue (%)</i>	<i>43%</i>	<i>43%</i>	<i>72%</i>

⁷ Direct costs of delivery include event specific promotion, trainers’ honoraria, facilities and refreshments, travel, training materials.

2.3.3 Donor support for the intervention

K-MAP began with funding of US\$ 40,000 from the Kenyan business community. This support has been vital to the organisation's operations and identity, but external donor support has been more significant, in terms of volume:

- **USAID:** US\$ 500,000 to support the development of the K-MAP secretariat.
- **USAID:** US\$ 482,150 to support the delivery of counselling services and research.
- **DFID:** US\$ 664,000 to support the development of K-MAP's capacity to deliver specific business training products.
- **Other:** commitments from a variety of sources including the Netherlands Government and CIPE.

DFID's involvement in developing K-MAP's capacity to deliver services at times conflicted with K-MAP's strong commitment to independent management and ownership. This experience has led DFID away from a 'capacity building' approach towards a funding approach where K-MAP is paid based on the achievement of targets for delivery of training courses. Two important points should be considered when adopting such an approach:

- (a) In order to promote sustainable services, funding must be conditional not solely on maximising the volume of training products, or even their gross income, but on their contribution to overheads – their profitability.
- (b) By emphasising volume alone, such an approach can neglect the quality and relevance of products.

2.3.4 Impact and other achievements

Amidst a number of positive dimensions in K-MAP's performance, 4 achievements stand out.

Positive impact:

- Since 1986, K-MAP has provided 20,000 hours of counselling to 1,100 entrepreneurs, and trained 5,500 actual or aspiring entrepreneurs. 40% of clients are female.
- A recent assessment of the impact of K-MAP's services on a sample of 63 clients found that 59% had experienced an increase in sales volume of at least 30%, after the training. 73% had increased their workforce by at least 20%⁸.
- K-MAP cites a USAID-supported assessment of impact between 1992 and 1994 which provides an even more pleasing picture. Survival rate after two years was found to be 94%. Average employment had grown by 106%, leading K-MAP to believe that the average cost per job created was about \$400. Average sales revenue had increased by 292%, and assets had grown by 189%.

As with all assessments of impact, considerable caution should be exercised in interpreting these figures, in terms of attribution, additionality and displacement; comparison with overall figures for SMEs in Kenya may be misleading, in that K-MAP clients are already among the wealthier (and probably more dynamic) enterprises. Such caveats do not change a broadly positive picture, reinforced by feedback which has shown that clients have generally been satisfied with K-MAP's service, and the fact that clients are prepared to pay considerable sums for K-MAP products.

⁸ It should be noted that the period of time over which these changes took place is not specified; K-MAP records indicate it could be between 1 – 3 years.

The development of a low cost approach to one-to-one business counselling and to training: Voluntarism allows K-MAP to deliver services at a significantly reduced cost and permitted growing financial autonomy.

The development of a practical “bundling” approach to counselling: Even with low cost volunteers, administering counselling incurs costs. Mixing counselling with fee-paying training makes it more practical and cost-effective.

The development of a strong, locally-owned BDS organisation: K-MAP has been built around a strong sense of mission developed by its own management, not one which has been imported or imposed.

2.3.5 What can we learn from the K-MAP experience?

Building on local (low cost) networks and resources

K-MAP shows that it possible to identify and marshal resources for BDS at a relatively low cost.

Building upon demonstrated entrepreneurial initiative

K-MAP (like many small businesses and BDS providers) is substantially defined by its entrepreneurial founder. Such people - with ideas, energy and enthusiasm - are essential for an organisation to succeed, yet working with them may not be easy. Supporting BDS organisations without undermining ownership, conflicting with indigenous leadership or radically altering an already successful structure is a major challenge for donor agencies.

Tailoring donor support

Supporting entrepreneurial people and their organisations while maintaining programme coherence and accountability; is the challenge facing many donors. Two specific lessons emerge from DFID’s experience with K-MAP:

- Social venture capital: being prepared to invest in people - individual or teams - with potential, rather than in projects. This does not abandon the discipline of project design but it does acknowledge that it is the people who “own” a project who will determine its performance;
- Transactional relationships: delivery-based rewards can stimulate outreach and focus the minds of BDS providers on priority targets. However, they might also reduce quality and financial performance.

Challenges

The K-MAP experience also generates two more problematic issues for BDS support.

How can voluntarism be sustained? The challenge for any organisation founded on voluntarism is maintaining the commitment and involvement of volunteers. Successful approaches here may therefore include developing an attractive non-financial offer that volunteers value. The difficulty for donors is that the transaction of voluntarism is different from that of a money-based business exchange. It is likely to be culture-specific, embedded in

local values and structures. Identifying and supporting indigenous systems of voluntarism successfully has often proved difficult for donor agencies.

How can donor support build the business-like BDS organisation? External donor support aimed at developing demand-led BDS organisations that are close to their clients face formidable challenges. The core problem is that donor funds and work practices can have an indirect effect on partner organisations, driving a wedge between it and its clients in terms of systems, culture and scale. The net effect of institutional support therefore can be distorting in relation to their original objective of developing business-like, demand-led organisations. The challenge for donors is to develop approaches to technical assistance that account for such artificiality. This may involve, for example, building a transactional, financial relationship around conditions and performance targets. Alternatively, given the complications of building BDS organisations, it may suggest that BDS products, rather than institutions, should be the appropriate focus for interventions.

2.4 Training goes to market: A comparative study of two Kenyan training programmes

Author: Candace Nelson, The Seep Network.

Sponsor of Paper: USAID

2.4.1 The distinctive features of the services and of the providers

This is a case study of two business training programmes in Kenya, Akili and SITE⁹. Akili started in April 1995, and is part of ApproTEC; a Kenyan NGO dedicated to technology development and dissemination (see separate case study). It was designed as a two-year action-research project to test approaches of supporting small enterprise. SITE has operated a skills development project since January 1996. These two programmes provide business development services to informal sector manufacturing microenterprises in the metal, wood, and textiles sub-sectors.

Both programmes attempt to address the stagnation of small-scale industries in Kenya's informal sector, the *jua kalis*¹⁰. This sector has grown horizontally (numbers of enterprises) rather than vertically (growth of enterprises). As a result, enterprises operate in saturated markets where competition is very high and profit margins very low. Products are of poor quality and there is little diversification or innovation. Vertical growth is inhibited by enterprises lacking the technical and managerial skills necessary for business expansion and diversification. The objective of both SITE and Akili is therefore to stimulate enterprise growth by providing services to upgrade skills, improve product quality, identify and develop new products, and improve marketing techniques.

To ensure that services are market driven, both programmes attempt to serve the demand of microentrepreneurs and their clients. However, since microentrepreneurs are usually not aware of their training needs, an important aspect of the programmes involves stimulating this demand. Both programmes identify specific training needs by looking at market opportunities and working backwards. Demand is then stimulated by demonstrating the returns to be made by the training. This involves good marketing of the programme, tying training to tangible

⁹ Akili stands for 'advance Kenyan industry through local innovation' and is also the Kiswahili word for skill or know-how. SITE stands for 'strengthening informal sector training and enterprise'.

¹⁰ This means hot-sun in swahili and is used to refer to manufacturing and repair activities in the informal sector.

and immediate benefits, and demonstrating the market opportunities that the training will help clients access.

Both AKILI and SITE use a sub-sector approach that allows them to focus their support on production skills, new products, and quality within a specific sector. As client input is important in ensuring relevance of assistance provided, courses take place as close to participants' workshops as possible, and at convenient hours. This also helps minimise the opportunity costs associated with training.

The services provided by Akili focus on innovative, low-cost products that have potential to find niche markets. House-ware products that respond to the house storage needs of the middle-income groups, living in small homes, was found to be a niche opportunity. Akili provides a comprehensive set of services to help entrepreneurs think in new ways about their products and markets. It interacts regularly with its clients, using their ideas, skills, and motivation to determine the direction of the program's technical assistance phase. The concept revolves around helping entrepreneurs design products that fit the needs of the business' potential clients. The training includes group training, and individual follow-up technical assistance in product development, on how to access new markets, and on costing.

Akili targets clients who demonstrate interest in product innovation and are highly motivated. Typically, both Akili and SITE work with clients that have a monthly business income of about US\$400.

The SITE programme focuses only on training to: (i) upgrade the skills of master craftspeople; (ii) strengthen their capacity to provide quality training to their apprentices; and (iii) enable Kenya's vocation training centres (VTC) to interact more effectively with informal sector enterprises. Training of trainer courses are conducted for VTC trainers. These trainers then train entrepreneurs who have apprentices in production, business management, and training skills. The master craftspeople are then better equipped to train their apprentices. Working with VTC trainers will help SITE to develop the capacity of local VTCs to provide training in a more adapted manner to jua-kalis in the areas of production innovation and marketing.

SITE uses a participatory approach in defining the training course agenda and schedule. Through discussions with the clients on specific market opportunities, product quality, product diversification, design skills, and business management the course facilitators seek agreement with clients on training needs, topics to be covered by the course, frequency and timing of classes, and on fees. Courses usually cover product specific skills training with business management topics. Improving apprentice training techniques are integrated into the course design.

SITE clients have usually been in business for 6 years. The business owners are young (30-35), and have an average of two apprentices (typically 15-22 years old). Master craftspeople are drawn to SITE training as an opportunity to build their reputation as good trainers and attract more paying apprentices. Although the fees apprentices pay vary by sub-sector and location, they can represent significant income for the master trainer.

2.4.2 Sustainability: what picture of the future do the interventions have?

Neither programme considers the achievement of full financial sustainability to be a high priority. The focus for both has been on developing methodological approaches and an appropriate mix of services, as well as on building demand from, and credibility with, clients. Through careful monitoring of experience and action research, both programmes hope to develop appropriate pricing policies that will gradually permit cost recovery over time. Nonetheless, by the time of the workshop, SITE was recovering 75% of the direct costs of offering training courses.

2.4.3 Donor support

At the time of the case study, (June 1997), Akili had received an initial grant of \$332,000 for a 26-month pilot period from DFID, through a British NGO, APT Enterprise Development. SITE was also being funded by DFID, for 30 months, with a total of \$420,000.

2.4.4 Impact and other achievements

Akili systematically measures cost and impact to allow it to learn about cost-effective delivery, and effectiveness of the approach in achieving business growth. By the time of the Workshop, Akili had 150 clients. Attendance at the first training provided by Akili was disappointing. Many entrepreneurs who had expressed interest in the training did not attend because:

- most expected credit would follow the training;
- they were unable to leave their business for extended periods; and
- they had a negative attitude towards training and were suspicious of the benefits to be gained.

However, 71 clients did take all courses offered by Akili during the pilot phase. These clients stated that the training made an important impact in terms of their production methods and marketing. An evaluation in May 1997 showed that income of businesses increased by an average of 35% over the 2-year pilot period, compared to a -4.4% decline in income of the control group. There was an overall increase in jobs created of 17 among the 71 clients. Sixty-two of the clients developed 2.1 new products.

By the time of the Workshop, SITE had 420 business owners and 1,700 apprentices as clients. Early indications are that profits have increased by 25% on average, and that there has been a 20-30% increase in apprenticeship training.

2.4.5 What can we learn from this experience?

Clearly meeting the needs of the jua-kalis in a cost-effective and sustainable manner is not an easy task. The experience of both programmes sheds some light on the merits of two different approaches; the singular focus vs. the more intensive, and integrated intervention approach. There are a number of challenges and lessons that these two programmes offer.

Both programmes face the challenge of closing the gap between perceived and real training needs. Entrepreneurs do not think they need training and thus demand does not exist in a form ready to be tapped by the best training programme. This implies that both programmes must place an emphasis on stimulating demand by:

- showing clients market opportunities they are missing;
- making an up-front investment in careful selection of first time clients who will then help sell the programme;

- being attentive to the clients needs on an ongoing basis;
- consistently following up and building client credibility;
- minimising the opportunity cost to the client of attending training; and
- demonstrating the tangible benefits to be gained.

Another challenge faced by both programmes is to do with the conflict between good practice principles of effectiveness, measured in terms of client impact, with potential for scale and efficiency. Akili's evaluation results indicate that using a demand-led client-responsive approach in training delivery can yield tangible benefits such as new products, access to new markets, and increased income. The benefits, or effectiveness, of these practices are however hard to replicate on a larger scale. Given Akili's comprehensive, multifaceted process, the programme's staff members estimate they can handle only 100 clients at any given time. The programme's small outreach clearly keeps unit costs high and efficiency low.

SITE, on the other hand, can potentially serve more clients than AKILI because it works principally with one type of intervention—a short training course. Without regular follow-up the effectiveness of the intervention as a result may suffer. However there is insufficient evidence at the moment to determine the trade-off between effectiveness and outreach.

The sub-sector approach used by both programmes provides additional lessons. It is effective in making sure assistance is relevant to client needs. However it does have some limitations. Firstly, staff must have thorough knowledge and technical competence in the sub-sector, which limits the numbers of sectors that can be reached. Key opportunities in other sectors could be missed. Secondly, the approach limits cross fertilisation between sectors, which is important in driving innovation based on market opportunities. And thirdly, the approach could limit outreach, and thus sustainability.

2.5 Sustainable training of micro and small enterprises through grassroots training businesses

Authors: Enoth Mbeine and Gavin Anderson, FIT Uganda Ltd.

2.5.1 The distinctive features of the services and of the provider

FIT Uganda Ltd. is a private company which supports provision by the private sector in Uganda of a range of business development services; it is based on the premises that some services can be provided profitably, and that small businesses are probably the most cost-effective and affordable providers of BDS. In the area of training, it has noted a strong demand for affordable business training opportunities by micro and small enterprises (MSEs). In response to this, it has been working since the beginning of 1998, on a pilot initiative to assist, or stimulate the creation of, profitable 'grassroots' training businesses.

FIT Uganda, during the pilot, worked with a core group of 8 for-profit training providers. As a means to interact with them, FIT Uganda offered training-of-trainers courses in two training products that had been developed and tested by FIT in Kenya and Ghana:

- ⇒ User Led Innovation (ULI), a tool which assists manufacturers to develop new and improved product designs, by seeking input from their customers in group settings
- ⇒ Rapid Market Appraisal (RMA), a tool which entrepreneurs can use to conduct their own market research (as individuals)

Two 5-day training of trainers were conducted to assist the trainers to deliver these two training tools in a business manner;. The training included elements on how to establish a training business and how to develop a market for training. The participants were charged a fee of \$42 per course. Following this training, FIT provided a subsidy to motivate the trainers to offer RMA and ULI courses. The subsidy was limited to an amount double the fees that the trainers received from their MSE clients. This ensured that the training responded to client needs and not to those of the donor. In retrospect, this subsidy may have been set at too high level, and might not have been necessary at all.

In addition to the pilot program, FIT Uganda conducted a survey of existing private trainers and institutes; ‘private’ in this case referred to trainers not receiving income from any public source, but operating purely on income generated from MSE clients. The survey found 160 independent trainers and 89 training institutions offering training services in a wide range of topics, including for example catering, tailoring, accountancy, marketing, food production, construction, agriculture, computers, hairdressing, import/export, technical areas, and business management.

Clients were school leavers as well as existing MSEs. The training was not always the core business; sometimes it was provided as an income-generating activity in addition to production or other commercial activities. The quality of the training was found to be very variable, with some providers being poorly equipped and others did not deliver on courses paid in advance by the client.

2.5.2 Sustainability: what picture of the future does the intervention have?

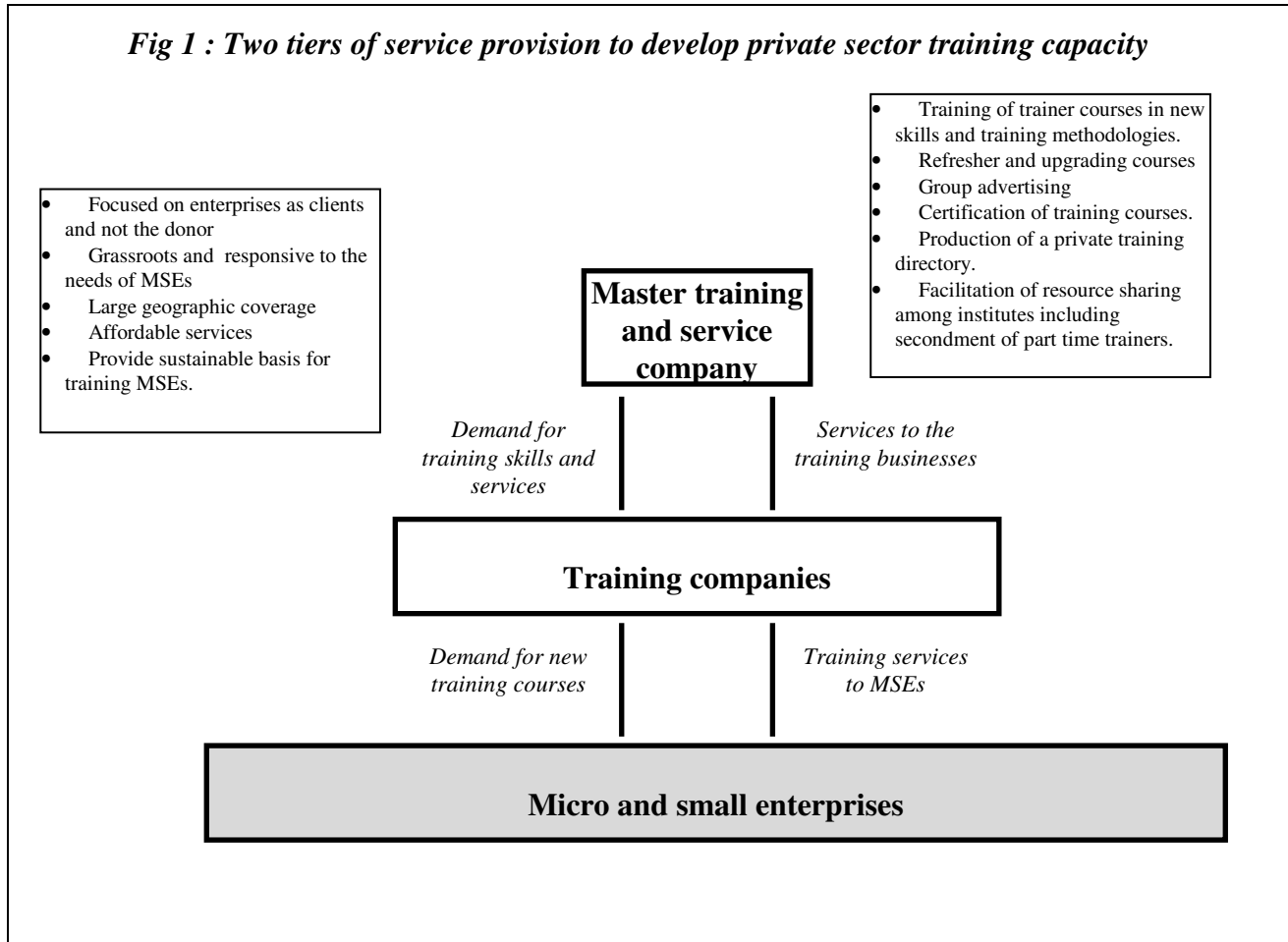
The pilot experience and survey demonstrated that there is a demand for MSE training, and that there exists already a self-sustaining capacity offering that training on a for-profit basis. From this existing supply of trainers, it may be possible to develop a trainers’ network, which could be used to strengthen this capacity.

One challenge is how to support private trainers to improve quality and delivery, without imposing quality levels on them which will not be sustainable in the longer term. The survey suggested that the training companies were interested and willing to pay for capacity building services as long as they were tailored to their needs, affordable and delivered locally. On the basis of these findings FIT Uganda intends to expand the pilot operation. It may use a two-tier approach where an umbrella organisation would provide training to training businesses, and the training businesses provide training to MSEs (as illustrated in Figure 1, below).

This formula may allow for the strengthening of training provided by the private sector, on a sustainable basis. Initial subsidies will be required to cover training course development and establish the support company, but it may be possible in the longer term to provide the ongoing support to training businesses on a commercial basis. However, the strength of this approach also poses a clear challenge: trainers were found to be earning \$80-160 per month. This level of income contrasts strongly with earnings of trainers paid by development agencies, which may be 20 or 30 times more. While affordable for MSEs, it is clear that the trainers are not earning enough to pay substantial fees for ‘training of trainers’ opportunities (even though they clearly would like such opportunities, according to the survey).

2.5.3 Donor support for the intervention

FIT Uganda was established with the support of the International Labour Organisation (ILO), the Government of the Netherlands and the Austrian Development Service (OED). The European Union under the Microprojects Urban Small Scale Enterprise Programme funded the two training of trainers courses and provided support to the initial training courses and workshops.



2.5.4 Impact and other achievements

12 for-profit trainers bought the training-of-trainers products from FIT Uganda, and 8 of those then went on to offer those training courses. Of those, three established training businesses while two were already in the business of training. The other three continued to operate individually. In the following six months, those trainers sold training courses to about 500 MSEs. To reduce costs, in most cases the trainers chose to conduct training in community centres or church halls.

Training workshops were conducted for:

- ⇒ Farmers and metal fabricators, to look at new and improved farm implements
- ⇒ Craftspeople at the National Craft Village to discuss new products and delivery procedures
- ⇒ Small restaurants and fabricators of food processing equipment
- ⇒ Rural charcoal stove makers and their potential customers including school representatives, restaurant owners and other domestic users

Participants paid an average of \$6 per course which was determined on the basis of ability to pay. Fees for courses to urban clients were slightly higher (\$8) than to rural clients (\$4). To overcome the shortfall in income from rural clients the trainers increased the numbers of rural participants per course. The FIT Uganda subsidy was about \$11.5 per participant. Two courses were sold by trainers during the pilot period, for 17 MSEs without any subsidy.

2.5.5 What can we learn from this experience?

The experience of FIT Uganda indicates that a whole strata of training provision exists, which has been largely invisible to the development community. It is operating at cost levels which are only a small fraction of those normally associated with donor-funded interventions, and is therefore able to offer training sustainably (and for profit). The quality of this training provision is very variable, and often would not meet internationally-accepted standards. Nonetheless, attempts to up-grade the quality substantially risk increasing the associated costs, beyond the point where MSEs can afford to pay for them. Similarly, it may be difficult to provide services to for-profit trainers on a sustainable basis, because of their very low levels of income.

The existence of a substantial number of for-profit trainers does raise some interesting possibilities, since they represent a sustainable capacity for BDS provision. Provision of subsidised training may be having an adverse effect on this capacity; the worst-case scenario may be that it is forcing them out of business in the short term, without installing sustainable capacity in the longer term. More likely (and as illustrated in the case study), subsidised training provision is making it far more difficult for private trainers to sell their own offerings. Clearly, there is a need for donor-funded interventions to take the existence of these trainers into account in future, in both project planning and implementation.

2.6 The Impact of the Start and Improve Your Business Programme in Eastern and Southern Africa

Author: Joni Musabayana, ILO/SIYB Harare

2.6.1 The distinctive features of the services and of the provider

The Start Your Business (SYB) and Improve Your Business (IYB) programmes are separate but complementary. SYB focuses on start-up training needs while IYB focuses on the training needs of growth businesses. The two programmes have a number of linked training materials. The training assistance is provided through carefully selected NGOs and private consulting firms (user organisations) that are involved in business creation activities, have the capacity to sustain the training activity after initial assistance from ILO, and have linkages with other support institutions.

The Regional SYB program for Eastern and Southern Africa was introduced to Zambia, Zimbabwe and Uganda during July 1996-December 1997. Having gone through some structural changes the programme now has national-level Steering Committees that act as advisory bodies, with SYB ILO project staff directly involved in the programme's implementation.

SYB has generic training materials for the trainers and SMEs. Project staff assist the user organisations to adjust and adapt the SYB training materials. The project's strategy is to build

the capacity of user organisations based on their needs and the needs of the user organisation's clients.

The entrepreneurs that are assisted with SYB training are carefully selected and must:

- have a concrete business idea;
- have, or have access to, the relevant vocational skills;
- are able to read and write in the language of training; and,
- are able to make simple calculations.

SYB is meant for entrepreneurs who want to start or expand businesses with growth potential, and not for survivalist entrepreneurs. The programme places great emphasis on ensuring that programme users reach the right target group. Target group selection methods are therefore regarded as very important.

2.6.2 Sustainability: what picture of the future does the intervention have?

Although the SYB evaluation stated that entrepreneurs were willing to pay for training provided, these amounts were a fraction of the cost of delivery. Financial sustainability of the SYB has not yet been addressed.

2.6.3 Donor support for the intervention

SYB is currently fully funded by Sida, and implemented by the ILO.

2.6.4 Impact and other achievements

To measure whether the Regional SYB programme added value to business creation and growth, an in-house evaluation was conducted. The results show that SYB achieved the following between July 1996 and June 1997:

- 610 adequately selected potential entrepreneurs trained in 32 seminars.
- 62% of the total trained entrepreneurs completed feasibility studies of adequate quality.
- 26% percent of the feasibility studies submitted for funding approved.
- Overall, 36% of trained entrepreneurs who did not already have a business started one; in Uganda, 66% of trained entrepreneurs started their own business.
- 108 new jobs were created (1.6 jobs per start-up)

The evaluation results show a mixed picture on the impact of SYB on SME start-up and growth. On the number of entrepreneurs trained, the results suggest that the training provided was relevant to the entrepreneurs. This relevance is further supported by the fact that the entrepreneurs are willing to pay for the courses, although the fees charged (\$25 on average) were only a fraction of the delivery costs. The high start-up rate in Uganda, where trainees can also get access to credit, suggests that those enterprises able to access financing were better able to start their businesses. The relatively lower rate of start-ups elsewhere (where trainees had less access to funding) indicates that access to financing continues to be an important constraint to SME start-up and growth. Although the number of jobs created by those that started their business is significant, the number per enterprise is quite small, suggesting that the size of enterprises created are also small.

2.6.5 What can we learn from this experience?

Measuring the impact of SYB on start-up and growth of SME sector is difficult. Rigorous measurement methods should be developed that can lead to more objective analysis on impact. In terms of lessons from the SYB programme operations a number of lessons are worth noting:

- (i) Trainers and user organisations need to be carefully selected and must have good basic knowledge of business and training skills.
- (ii) Entrepreneur training should last at least five full days, to allow participants sufficient time to complete their business plans. However, the duration of the course should be adapted to the needs of the entrepreneurs.
- (iii) Follow-up is critical to ensure completion of the business plan. Follow-up should be frequent and focused.
- (iv) SYB training materials were well received by entrepreneurs
- (v) Increasing access to financing will probably improve start-up rates.

2.7 The Manicaland Business Linkages Project (MBLP)

Authors: John Grierson, FTP International and Donald Mead, Michigan State University

2.7.1 The distinctive features of the services and of the provider

Business linkages are commercial dealings between separate profit-oriented enterprises. In a market economy which is functioning well, businesses can increase efficiency and profitability through business linkages. Since the introduction of policies to promote market forces, Zimbabwe's small businesses have gained better access to production inputs and management skills, increasing their ability to engage in buyer-seller business linkages with other enterprises. The Manicaland Business Linkages Project (MBLP) is designed to catalyse business linkages between small enterprises (sellers) and larger enterprises (buyers).

MBLP has three areas of activity:

- (i) *Supplier capacity building:* Small enterprises can get assistance to strengthen their operations in areas specific to linkages with other enterprises. The assistance received is tied to a linkage opportunity since it is the buyer that provides the advice on what products are required, and how they are to be produced and delivered.
- (ii) *Identification of linkage opportunities:* Buyers and sellers can identify profitable linkage opportunities with the assistance of MBLP that will help them broker a sound and viable business linkage agreement. Enterprises can get assistance in three linkage opportunity identification areas:
 - ⇒ Buyer Open House where potential suppliers can visit the premises of buyers, observe the production process, and try to identify possible linkages. The buyers are the ones to initiate the Buyer Open House.
 - ⇒ Supplier Capacity Audits to assess the ability of the enterprise to supply specific goods or services. Usually specific interventions for supplier capacity building are identified.
 - ⇒ Feasibility Studies to examine the overall merits of specific linkage proposals. The results may lead to a supplier capacity audit.

- (i) *Business linkage promotion:* The linkage concept is presented to the Manicaland business community, and success stories highlighted. These promotions are out sourced by MBLT and take the form of workshops, media campaigns, and brochures and leaflets.

The MBLP concentrates on enterprises in growth sectors where there is a critical mass of buyers seeking efficiency and specialisation through business linkages. In Manicaland these are enterprises in timber and construction (and to a less extent, horticulture, tourism and furniture manufacture).

2.7.2 Sustainability: what picture of the future does the intervention have?

The objective of the MBLP is twofold: (i) contribute to the diversified development of the Manicaland economy ('impact'); and (ii) develop an effective and sustainable approach to encouraging business linkages that can be replicated elsewhere in Zimbabwe ('learning'). The pilot phase of the project lasted from April 1996 to March 1998. The pilot's success was measured in terms of developing an efficient and effective approach to stimulating business linkages.

The second phase will focus on implementation and addressing sustainability issues. MBPL measures financial sustainability in terms of the linkages themselves, and of its operations. Linkage sustainability is achieved when there are long-term linkages between buyers and sellers, and when linkages become part of the business culture. This will contribute to the objective of diversified development. Operational viability implies continuing the business linkages support on a cost recovery basis. MBLP is developing strategies to achieve operational sustainability. This includes a cost sharing arrangement with the buyers. In addition, MBLP uses a minimalist intervention approach, where the buyers provide the mentoring and advice thus reducing direct operational costs. Currently the project and its replication are dependent on donor funding

2.7.3 Donor support for the intervention

The Ministry of Industry and Commerce (MIC) and the Confederation of Zimbabwe Industries (CZI) initiated the project, with financial assistance from the Government of Norway. CZI has the operational oversight for the project. A full-time project manager is located in Mutare; he reports to the Manicaland Chamber of Industries. A local project management committee provides the leadership and operational oversight, and authorises project activities and financial commitments. The project has reporting and administrative procedures that conform to CZI procedures. Audits are carried out on an annual basis. The project is monitored and evaluated regularly to incorporate the learning objective into its execution and replication.

2.7.4 Impact and other achievements

MBLP is still new and its experience limited. By the time of the Workshop, it had created 138 linkages, at a direct cost per linkage of \$450. Some of the linkages have failed because of inadequate information and poor communication between supplier and buyer; slow decision making, and limited specialisation on the part of the suppliers. Despite this, there is evidence that the program has made contributions to developing a linkage culture, and that larger businesses are recognising the gains to be made by mentoring suppliers.

2.7.5 What can we learn from this experience?

The experience to date of the MBLP suggests that it has acted as a catalyst in bringing together suppliers and buyers. It has also developed the capacity of suppliers and educated both buyers and suppliers on the benefits of subcontracting in improving business efficiency and profitability. MBLP has found though that established businesses are most likely to enter into business linkages and to reap the benefits of this business arrangement. Although too early to make concrete conclusions, it may be easier to negotiate business linkages in certain sectors (timber and construction) as opposed to others (tourism, horticulture, and furniture). The linkages have also helped suppliers gain better access to credit from financial institutions. As a result of the linkage, suppliers can also get materials and cash on credit from their buyers.

As for employment creation, there is insufficient information to ascertain the net employment effect of business linkages. Linkages help both suppliers and buyers to improve efficiency, and this may result in either employment creation or contraction.

MBLP's immediate challenges are to retain the focus on the core task of matchmaking, increasing the emphasis on quality linkages, while expanding efforts to embed mentoring and contracting in Zimbabwe's commercial culture. It must also decide whether the achievement of a sustainable change in culture is sufficient, or whether it wishes to become itself self-sustaining.

2.8 Information services for SMEs: Experiences du système d'information de FITNET Benin, and Experiences of FIT Kenya

Authors: Margaret Masbayi and Abdou Hanzize Ocen

2.8.1 The distinctive features of the services

The two papers present the results of various experiments to stimulate the flow of information to and from SMEs:

- facilitation of opportunities for SMEs to discuss product design, quality and price with their customers in a neutral setting ("User-Led Innovation" or ULI)
- facilitation of opportunities to exchange experiences with other SMEs, through exchange visits
- sale of information to SMEs through street hawkers
- use of existing extension networks to offer a question-and-answer service

All of these services were offered in a 'minimalist' fashion, drawing on indigenous sources of information, rather than external experts, to keep costs low.

2.8.2 Sustainability: What picture of the future does the intervention have?

No information is provided about the potential sustainability of sessions involving groups of SMEs and their customers (ULI).

The initial exchange visits were offered with a 50-60% subsidy; the SMEs paid the balance themselves. Following the visits, SMEs indicated that they would be willing to pay the full costs of future visits. This seems to be confirmed by the finding that neighbouring SMEs,

having seen the impact of the visits, organised (and paid for) their own visits to other enterprises.

Information booklets were sold through street hawkers for \$1.70; this price included a mark-up of 100% on the production costs. While only 50 were sold, much was learned about the buying habits and preferences of SMEs; for example, almost all of the booklets were bought at the beginning or end of the working day. It remains possible that the publication of information booklets could be profitable, if the information was carefully designed and marketed.

In the six months of operation, the question-and-answer service has generated 127 questions. For each question, the SME pays \$2; the answer is also paid for, at a rate of five times the cost of the photocopying required. This has generated revenue which has covered 30% of the costs of answering the questions. It is hoped that scaling up the service will lead to several SMEs asking the same question; costs will thus stabilise, while revenue will continue to increase.

2.8.3 Donor support

All of the activities described were financed by the Government of the Netherlands, through a project implemented by the ILO and Tool.

2.8.4 Impact and other achievements

User-Led Innovation seems to have had a substantial impact on the product range and revenues of participating SMEs. One group of 9 metal-workers developed 7 new products, and improved on 2 existing designs; as a result, they generated additional sales worth \$4,500 over the following six months. In another ULI pilot activity, the 8 participating SMEs developed eleven new products, generating additional sales worth \$8,200 over the following year; one SME increased his sales by 180%.

Enterprise exchange visits demonstrated impact in various areas of business operation, depending on the initial interests of the entrepreneur, and the opportunities available during the visit. In general, specific innovations in product design, production processes or management techniques could be traced back to ideas and information collected during visits. These innovations seemed to have led 75% of participating MSEs to increase their labour force, recruiting 2-3 additional employees each.

While the sale of information booklets showed that SMEs were willing to pay significant sums for information which they had not previously requested, a subsequent impact evaluation found that they had not used the information which they had purchased.

No impact monitoring information is offered, in the case of the question-and-answer service.

2.8.5 What can we learn from this experience?

These experiences indicate that SMEs will pay significant sums for information, especially if it is coming from other businesses; facilitation of enterprise exchange visits may ultimately be a profitable service. Printed information is also saleable, but shows less immediate prospect for profitability. Information gleaned from customers, and information provided through a question-and-answer service, appear to offer lower prospects for sustainability.

Information gleaned from other businesses, and from customers, proved to be the most useful, in terms of stimulating innovation and business improvement in participating businesses.

2.9 Appropriate Technologies for Enterprise Creation (ApproTEC): Technology-Based Business Opportunities in Kenya

Author: Mark Havers, The Springfield Centre for Business in Development

Sponsor of Paper: DFID

2.9.1 The distinctive features of ApproTEC

Low levels of innovation and inadequate technical skills are significant constraints to SME growth. ApproTEC believes that entrepreneurs fail to identify or realise viable technology-based business opportunities to manufacture and sell new products, resulting in a market dominated by homogenous, often low quality products. ApproTEC's response to these constraints is to develop technologies that can be used by dynamic entrepreneurs to establish profitable, growing SMEs: assisting SMEs in business opportunity identification, technology choice and marketing.

The client base

ApproTEC do not work with the poorest SMEs. Their clients are those who are in a position to utilise technologies effectively; these are people who have sufficient skills, capital and networks, and in particular who are willing to make a business investment in ApproTEC technologies. Clients can be split into two groups:

- (i) Manufacturers of ApproTEC technologies; usually small- and medium-scale enterprises with fewer than 6 employees.
- (ii) Users of technologies: usually farmers (with approx. 2 acres of land) or small businesses (often start-ups) who use technologies to deliver products and services e.g. pumped water for irrigation, or seed cake for animal feed.

ApproTEC do not undertake gender analysis of clients but it is believed that production and purchases of technologies are made by males, while females are more generally involved in the management of SMEs using these technologies, or are indirect beneficiaries such as farmers.

The services

The focus of this case is on two key technology products, a treadle-operated water pump (which ApproTEC has dubbed the 'Money Maker'), and a ram press for extracting oil from seed. ApproTEC's approach to the development and promotion of such products is based on a 5-stage process described in Figure 2.

Figure 2: Cost recovery for each of ApproTEC's services for the oil press

ACTIVITY	Cost US\$	Recovery US\$	Donors %	Recovery %
1. Business Opportunity Identification and Market Research	n/a	n/a	n/a	n/a
2. Technology Design and Development	94,882	0	100	0
3. Selection, Training and Equipping of Manufacturers	7,548	4,000	47	53
4. Marketing and Promotion (p.a.)	142,744	14,667	90	10

5. Impact Monitoring (p.a.)	6,191	0	100	0
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Stages 1 and 2 are carried out in-house. Under Stage 3, individual manufacturers receive the service ‘package’, including designs and plans, some tools and equipment, a business plan and training for both production and marketing. Under Stage 4, SME traders, or dealers, receive training and some marketing support, so that they can develop a distribution mechanism for the technologies.

2.9.2 Sustainability: what picture of the future does the intervention have?

ApproTEC has a ‘corporate’ approach (i.e. akin to that of a large commercial organisation) to technology development and transfer. This approach emphasises the importance of professional technical expertise, its application in a demand-driven process and the need for strong marketing capacity. This approach is in clear contrast with approaches to technology development based on the indigenous development of technologies by SMEs themselves.

ApproTEC views itself as a catalyst in the technology development process, arguing that such a role is normally undertaken in industrialised countries by government and large businesses. In low-income economies such as Kenya, where this formal sector capacity does not exist, the onus falls upon donors. Given this view of its role ApproTEC does not attempt to achieve financial sustainability through cost recovery from SME clients, instead it ‘charges’ donors for its technology development services.

However ApproTEC does levy charges on some services (training and tool production, see Figure 2) provided to SMEs, and also ensures that relationships with SMEs are defined by contractual agreements establishing the parameters of responsibilities and obligations. It is recognised that by trying to recover the direct costs of certain services, contractual agreements are cemented; and, the SME’s commitment to the business opportunity is established. It is also the case that SMEs have to make significant investments, greater than fees paid, for ‘tooling up’ for the manufacture of technologies, which ApproTEC does not support.

ApproTEC attaches importance to the development of commercially viable and therefore sustainable supply chain for technologies. For the oil press this has involved a direct link between manufacturer and retailer (dealer) who then sells to the end-user. Costs and margins for the oil press are as follows:

	\$
Total manufacturing cost (materials and labour)	258
Fee paid by manufacturer to ApproTEC	67
Manufacturer’s profit	67
Retailer’s margin	50
Final price to SME end user	442

Other than facilitation and marketing ApproTEC’s most significant role in this supply chain is quality control. A ‘quality plate’ is awarded to manufacturers for each press produced to specified quality, giving the product the very marketable ApproTEC brand. ApproTEC are not a direct link in the supply chain for the oil press.

For the water pump, ApproTEC has become directly involved in marketing and selling of technology, a fundamental shift in approach. This has been justified on the basis that rural marketing mechanisms are believed to be weak. Higher margins have been introduced on the

pumps to permit ApproTEC to experiment with new marketing methods: the long-term aim being to create a commercial intermediary of some kind. Costs and margins for the water pump are as follows:

	\$
Raw material cost for manufacturer	15
Manufacturer's labour cost and profit	25
Margin taken by ApproTEC (for promotion/marketing)	17
Retailer's or Commission Sales Person's margin	10
Final price to SME end user	<u>67</u>

The efficacy of this new approach, selling over 1500 units in 12 months, appears to offer some justification for its adoption. However it is important to emphasise that the broad experience of development agencies undertaking what are essentially private sector activities such as marketing, has often created difficulties.

2.9.3 Donor support for the intervention

Notable donors to ApproTEC have been USAID, DFID, The Netherlands government and the Kenyan private sector. Three aspects of ApproTEC's funding history are worth highlighting. Firstly, ApproTEC has taken on consulting and fee-earning assignments to make up for early gaps in donor funding. While ApproTEC found that it was possible to generate significant revenue from these activities, they are a distraction from core work and the achievement of programme goals. Secondly, DFID funding is dependent on ApproTEC instituting a mechanism by which core programme costs are charged to the different projects that the organisation implements. This encourages greater financial sustainability, and is consistent with ApproTEC's position as a developer of technologies under contract, since the full costs of technology development are made transparent. Thirdly, observers note that there has been an unusual level of coordination among donors with respect to ApproTEC's development and funding.

Figure 3: ApproTEC funding 1991-1997¹¹

Year	Total Income US\$	Proportion from Donors %	Proportion from Others %
1991-2	90,333	78	22
1992-3	143,000	11	89
1993-4	280,333	60	40
1994-5	455,500	79	21
1995-6	396,167	70	30
1996-7	989,500	87	13
Total	2,354,833	75	25

2.9.4 Impact and other achievements

Three key achievements stand out from ApproTEC's positive overall performance.

¹¹ (a) These numbers do not include a \$ 2.1m UNHCR contract to produce latrine slabs in 1992-4.
 (b) Includes 7.5% overhead/profit from UNHCR contract.
 (c) Some funds relating to a 1992-3 grant were actual released in 1991-2 and 1993-4.
 (d) Actual US\$ figures were higher than shown but a constant exchange rate of US\$ 1=KSh.60 is used.
 (e) Non-donor funds are from cost recovery on services, consultancy, training fees and equipment sales.

Positive impact

ApproTEC does not attach importance to the financial sustainability of its activities. However, the importance of demonstrating impact is acknowledged, and a full-time monitoring officer has recently been appointed (a notable achievement in its own right). The following impacts are reported:

- 8,000 new private sector jobs have been created as a result of the sale of 4,100 pieces of equipment, indicating an estimated cost per job created of \$340;
- Cost per unit of technology sold is \$ 650, \$500 of which comes from donors;
- 700 oil seed presses have been purchased by entrepreneurs and groups, 70% of which are believed to actively generating income; each press is estimated to have created 2.5 new jobs;
- 2,500 water pumps have been sold, and a recent external evaluation found that pump owners were able to realise increases of income of between 200 and 400%, while 20% of purchasers had gone on to purchase a second pump within 6 months;
- Manufacturers typically derive 50-75% of their sales from ApproTEC products, and make significant profits from those products(\$25 per pump, \$67 per press).

While positive impact has been confirmed by external observers, and notwithstanding ApproTEC's efforts at rigorous monitoring, interpretation of this data should be made with caution. For example, potential returns achievable on various technologies are an important selling point, and may well focus only on the returns of the most successful businesses. Equally, cost per job analysis is notoriously difficult to verify without detailed information regarding type of job and the broader market context within which changes are taking place.

The development of effective supply chains in the private sector

ApproTEC appears to have developed practical means of getting technologies to final users and done so on a considerable scale, through the private sector.

The development of practical technologies that people are willing to pay for

ApproTEC have successfully placed technology development within a market context, by developing technologies that are based on business opportunities and feeding into a commercial supply chain. These technologies have affordable start up cost (US\$ 100 –1,000), promise quick returns on investment, and are appropriate for local materials, production and maintenance.

2.9.5 What can we learn from the ApproTEC experience?

A corporate approach to technology development

Such an approach has many critics, but ApproTEC has been successful by:

- Putting technology in the market place;
- Making the process - identification of market niche through to sales and distribution - demand-led and business oriented;
- Making technologies self-financing after initial development costs.

Focus: sticking to core competencies

ApproTEC recognises it has a distinctive advantage and role, and has broadly remained confined to this core of activities.

Measurement is important

ApproTEC understands the value of measurement for its own purposes, in terms of R&D, and for its donors. Accordingly significant steps have been made to measure work processes, key outputs and final impact.

Encouraging social entrepreneurship

ApproTEC was born out of the decision of a large NGO to cease its involvement in technology development. Such a transformation, while traumatic for individuals involved, undoubtedly has fostered a focus and commitment that a larger, more generalist organisation may not have achieved. Donors need to be prepared to follow such entrepreneur-based approaches, perhaps by ‘spinning off’ entrepreneurial sub-components with specialised and marketable skills. Such an approach – increasingly termed ‘social venture capital’ – recognises and invests in the people that drive an intervention, rather than the organisation as a whole.

Challenges

ApproTEC’s approach to technology development raises two key challenges for technology-based BDS.

Is the corporate approach justifiable? The rationale for ApproTEC’s approach is based on an assumption of market failure. Without specific intervention, innovation, design and promotion of appropriate technology will not occur, and since there are wider public benefits from technology development (externalities) it is valid that public money is used, as is the case in many high-income economies. In an African context this argument may be justified – market driven technology development is not commonplace. However it can also be challenged on a number of fronts. Governments in high-income economies can afford to pump public resources into technology: this is not the case for the majority of African economies.

A more relevant comparison should be with the high-income economies in the early stage of their development, when state intervention was not the norm and the burden of technological innovation fell on entrepreneurs. Moreover in successful economies the SME sector remains an important source of innovation. The major challenge for a corporate approach is to stimulate rather than replace risk-taking and innovation within the private sector, in order to address the challenge of sustainability in technology development.

Should BDS organisations seek to develop new corporate entities? ApproTEC’s role in supply chain development has altered from facilitation to active involvement. ApproTEC argues that their involvement can achieve greater annual sales and it is envisaged that once profitable, these activities can be sold on as a commercial enterprise. If there is a rationale for BDS providers to become direct participants in product markets, there needs to be clear evidence that they have the capacity to do so, while maintaining focused on their core mission, and without displacing the private sector in either the short or long term.

2.10 Marketing for SMEs: AMKA Tanzania and Ziwa Creations Kenya

Authors: Leon Tomesen and Alan Gibson, The Springfield Centre for Business in Development (AMKA), Mary Onyango (ZIWA)

Sponsor of AMKA Paper: DFID

2.10.1 The distinctive features of the services

Both AMKA and Ziwa aim to assist SMEs in reaching new and more distant markets. The rationale for this work rests on two themes. Firstly, SMEs generally are not sufficiently aggressive in looking for new markets; they may lack the opportunities, but they also often lack the market orientation which is needed for expansion. Secondly, various factors (globalisation, liberalisation, the Internet etc.) are creating a range of new opportunities and challenges for SMEs, and active assistance is required, if they are to adapt to these changing circumstances.

A range of services is therefore provided, covering both direct assistance to SMEs (training, advice, designs) and trade promotion to reach distant markets. AMKA only facilitates the creation of linkages, and is not itself a player in the market; it is formed as a Trust. Ziwa, on the other hand, is a for-profit company, which is buying and selling SME products in the market place.

AMKA also stresses the value of working through the 'fair trade' network, whereby premium prices can be charged for products emerging from a network in which the commercial relationships are more equitable than in "normal" trading relationships. AMKA is also much more focused on export markets, and covers both food products and handicrafts; Ziwa markets mainly metal handicrafts, for the moment mainly to domestic customers.

Both organisations have two sets of clients. One set consists of the SMEs which are selling their products, and which receive some assistance in order to make more and better products. AMKA has 18 regular suppliers as clients, employing from 4 to 450 people; they include Cooperatives, Associations and parastatals, but in general, there is little information available about them. Ziwa is currently supplied by 58 artisans, mainly metal-workers (and therefore also mainly men); they employ up to 5 employees, and are classified by Ziwa as micro-enterprises.

The other set of clients for both organisations consists of the buyers of SME products. AMKA works with 18 export buyers on a regular basis, while Ziwa has developed a range of local customers, as retail sales (34%), wholesale sales (24%), contract orders (28%) and sales through exhibitions (13%). Exports only accounted for 1% of Ziwa's sales value in 1996-97.

Both organisations are relatively new; AMKA was established in 1994, Ziwa in 1997 (although both are the result of work which started earlier). Neither organisation has yet had the opportunity to 'codify' its service package, and both are still operating rather flexibly. Both are very small, employing 2 full-time professional staff each.

Part of the rationale for the formation of Ziwa was the need to operate as a 'for-profit' organisation, without the pressures inherent in a developmental (or non-profit) identity. Although the original concept was that work on product design and artisan training could thus be avoided, it has nonetheless started to offer these services (since the need was so great). AMKA is currently considering whether to split into for-profit and non-profit entities, with the for-profit entity becoming a direct player in the marketplace.

2.10.2 Sustainability: what picture of the future does the intervention have?

AMKA levies fees on its SME clients for participation in training workshops and trade fairs, but these only cover 7% of its total budget of \$70,000 p.a. A further 21% (in 1997/8) came from consultancy work carried out for ATOs. Intermediary services provided to ATOs (verification etc.) accounted for an additional 12%; thus, it may be argued that 40% of AMKA's income is currently derived from private-sector sources. Nonetheless, it continues to rely on donor income. Some work is now being undertaken to up-grade the Management Information System, and to become more aggressive in recovering costs.

In the last year, Ziwa has generated sales of \$60,000, with a profit margin of 30-40%; overall losses for 1998 are projected to be \$22,000. Ziwa is aiming to be profitable, based on rapid growth in its trading activities, by 2001. Structures have been put in place to allow the staff to own part of Ziwa, and also to benefit from sales and profits generated.

2.10.3 Donor support

Since its inception, AMKA has received \$228,000 in grants, mainly from DFID; it has also received substantial technical support from Traidcraft Exchange, a UK-based 'fair-trade' NGO.

Ziwa calculates that it will need \$32,000 as grant income, to carry it through to the point where it breaks even; this takes into account the contribution of staff as 'sweat equity', and anticipates that private-sector investors can be brought in, once break-even has been achieved.

2.10.4 Impact and other achievements

AMKA estimates that 75% of its clients have reached new markets; an external evaluation found that total sales of AMKA clients had grown by about \$1.1 million. This had caused the creation of about 300 new employment opportunities. Comparable data are not available from Ziwa.

2.10.5 What can we learn from these experiences?

It is clear that AMKA has had a positive impact on the Tanzanian economy generally, and on SME producers in particular. Nonetheless, the case study highlights the need for it to become more specific and focused in both the services which it provides, and the monitoring of the impact of those services. AMKA inherited clients from Traidcraft Exchange's earlier work in Tanzania, and its current client portfolio was arrived at through an iterative process of trial and error. Thus, there is no clearly-stated rationale for working with that client group, nor (apparently) a clear exit strategy, to enable AMKA either to cease operations, or to become self-sustaining. Furthermore, while opportunities for sustainability are seen largely in terms of grants and consultancies for external agencies, AMKA will find it difficult to formulate a coherent strategy in the near future.

Ziwa, on the other hand, has a clear strategy for becoming self-sustaining (and even profitable), but it is too early to be able to say whether that strategy is succeeding. Some early signs are promising; sales are growing, and the staff are highly motivated. The 'private-sector approach' has already solved some problems; for example, SME suppliers who had initially seen Ziwa as a donor-funded initiative (which should be benefiting them) became much more eager to develop commercial relationships, when Ziwa looked for alternative suppliers. But the company remains uncomfortable with the need to straddle both commercial and developmental objectives; this discomfort seems to derive largely from its donor-funded roots.

Both AMKA and Ziwa are operating in a marketplace which is complicated by other donor-supported activities. In Tanzania, there are several initiatives with rather more funding than AMKA, and in Kenya, the commercial face of Ziwa is leading NGOs to question the developmental nature of its work. Indeed, the Ziwa paper makes little reference to the impact of its activities on its SME suppliers - largely as one would expect from a commercial company.

Neither paper explores in any detail the existing or potential provision by the private sector of some or all of the services which the organisations currently offer. This in itself is an interesting lesson to be applied to future initiatives in marketing; both organisations are working in complex commercial environments, and their impacts on those environments should be of great interest in the future.

2.11 The CEFE Network project for micro enterprises in South Africa: A critical look at networking, moving towards sustainability and survival

Author: Deepak Adhikary, CEFE South Africa

2.11.1 Distinctive features of the CEFE Network

A critical constraint facing small-scale businesses in South Africa is not an absence of BDS provision, but rather a plethora of often uncoordinated state-, donor- and privately supported initiatives. Many of these existing BDS initiatives are characterised by a failure to deliver useful, relevant BDS products to SMEs. The CEFE Network Project identifies in particular government failure to develop an appropriate institutional framework and delivery mechanisms for BDS provision, and a broader paucity of capacity and skills among non-governmental BDS providers.

In response to this lack of capacity at the meso level, the CEFE Network Project supports a network of 6 established NGOs which provide business support to SMEs. This support includes strategy and planning development for the BDS provider, M&E systems development, provision of information and training material, training of trainers and direct financial support. The project also facilitates and supports the network directly.

The client base

The ultimate beneficiaries of the project are the clients of the NGOs supported. A sample of client enterprises found that:

- Two-thirds of trainees are women;
- Over 60% of trainees employed 1-2 people;
- 43 % of clients operated in the manufacturing sector, 32% in trading, 25% in services;
- Two-thirds of trainees have sub-matriculation education levels;
- Half of trainees have run businesses for three years or longer.

The services

The CEFE package of training products is well-established and has been adopted world wide. Briefly it comprises business-start up, business growth and business re-structuring training for established and aspiring entrepreneurs. A key principle of the programmes is their practical and straightforward focus on key entrepreneurial competencies, rather than on more theoretical management or technical skills.

Two distinctive elements of training are highlighted in the case. The first of these is the selection process. Clients' suitability for start-up training is determined by 'natural hurdles' rather than complicated, formalised analysis. The process starts with a one-day workshop focusing on what it takes to be an entrepreneur, at the end of which a workbook containing a summary business plan is available for purchase. Those who buy and complete the workbook are then entitled to a further interview. Only 30% of workshop participants purchase and complete the business plan, and return with the intention of starting a business. This process ensures that only the most committed move on to training courses.

The second distinctive element of the training process is the way in which follow-up sessions are conducted. Instead of one-to-one follow up sessions undertaken by project staff, the project uses what it calls an 'entrepreneurial pocket system' where groups of clients take turns

to visit each others' businesses and discuss problems, changes implemented and lessons learnt. Project staff only facilitate these sessions.

2.11.2 Sustainability: what picture of the future does the intervention have?

The case does not provide information about the cost and price structures of the network NGOs, therefore it is not possible to assess their financial viability. Similar information is also lacking with regard to specific training products. However the case does identify four aspects of sustainability that need to be achieved.

- Sustainable technical capacity of network NGOs to design and deliver training;
- Sustainable managerial capacity within BDS providers;
- Financial viability based on profitable services;
- A market for services offered.

One clear focus of the project is to strengthen the organisational capacity of network NGOs to deliver BDS, becoming part of the permanent institutional capacity at the meso-level. Their ability to achieve this is in part dictated by their ability to generate sufficient revenue from their services to clients. The extent to which this is feasible is not considered in the case. The proportion of direct costs of training covered by fees is not examined, although the direct cost of service provision is subsidised. Trainees are expected to pay their own attendance expenses in full, but the project has found that many clients would not have undertaken training if course fees had been any higher than at present.

GTZ subsidises direct cost of training delivery through grant payments based on the performance of partner NGOs in conducting training and follow up. The precise mechanism of this performance-related conditionality is not explored. Total subsidies are limited to no more than 15% of total budget.

A further aspect of the project is the network itself. This is envisaged as some form of long term resource for BDS providers. Currently it is subsidised to a considerable degree via a project secretariat, which organises training for members, pays network members travel expenses, facilitates information exchange etc. The case reports that, without such significant resource inputs, the network would have collapsed.

2.11.3 Donor support for the intervention

GTZ have supported the CEFENET Network Project since 1994. The support has primarily been targeted at building the capacity of 6 partner NGOs either directly or via the development of a network. As previously stated some project support has been in the form of subsidy for service provision.

2.11.4 Impact and other achievements

The network NGOs have trained 2000 entrepreneurs. A recent external evaluation surveyed 217 of these and found that:

- A high proportion (over 60%) of trainees are women;
- 80% of participants gave training courses a favourable rating;

- 83% of trainees claimed that their turnover had increased and 78% reported increased profits;
- 90% of trainees maintain at least one form of business record;
- 34% of trainees managed to get access to credit, and from those, high levels of repayment (over 90%) are reported.

There are two other notable achievements:

Selecting 'winners' using natural barriers: By using natural barriers, the CEFE Network Project is attempting to ensure the commitment and quality of potential trainees. The price of BDS products is also a natural barrier, but where training fees are low or subsidised, alternative barriers may be warranted. Furthermore, filtering to retain only the most 'go-ahead' individuals allows the BDS initiative to focus scarce resources on those individuals most likely to succeed, and on those businesses that are most likely to grow.

A low cost solution to follow-up: Conventional one-on-one follow-up is expensive, and only likely to be maintained with significant donor support. By establishing a follow-up mechanism based on action learning methods among groups of entrepreneurs, the CEFE Network Project offers a solution at relatively low cost. While the efficacy and sustainability of this particular mechanism are not reviewed in any detail, it seems to have high potential, especially where built upon established groups and practices, such as business associations.

2.11.5 What can we learn from the CEFE Network Project experience?

The conflicting demands of monitoring and evaluation: BDS providers, like the small businesses they serve, require management information in order to make informed decisions, adapt and develop products and generally run their organisations effectively. Such information should be routinely maintained using systems that are appropriate to both organisations' needs and resources. The information that donor agencies require for project management and accountability may be considerably more extensive than that routinely collected by BDS providers e.g. client impact data.

Donors need to avoid placing unnecessary and distorting burdens on BDS providers in terms of the financial cost, skills and systems needed to undertake such advanced measurement. The information gathering process should be commercially valuable to the BDS provider: if not donors need to mitigate against distorting effects, either by using external parties or contracting the BDS provider itself to provide a specific, paid service (e.g. preparing client case studies) to the donor.

Working with entrepreneurs: Successful BDS providers are often led by dynamic, entrepreneurial individuals – people who define and drive the organisation, but at the same time may not be easy to work with. The challenge for any donor-supported intervention is to harness and work with this dynamism without undermining existing ownership and initiative.

Understanding the dynamics of networks: Building upon or developing low cost networks may have many attractions in terms of BDS provision. However it is important to understand how networks actually work. The CEFE Network Project has identified two key issues:

1. Successful networks are exclusive. Excessive numbers become difficult to control, fragment resources and reduce the ‘quality’ of participants. It is important to recognise that people only join a network if they feel they will get something from it – if the overall quality of members declines so the networks ‘offer’ is diminished.
2. Networks require resources. Who pays for the cost of administering and organising the network? Who defines strategic direction and identifies agendas etc.? The CEFE Network Project has found that considerable external support has been needed to maintain the network.

The challenge of sustainability for networks

Networks work when their members perceive value accruing from their membership. Clearly this establishes the motivation that should underpin the sustainability of a network – if its members are committed to the network because it is useful to them, because they derive benefit from it, they should therefore be willing to maintain it. In practice networks end up being driven by one or two members, while others enjoy a ‘free ride’. In the case of CEFE Network Project it is certainly the case that members are not prepared to foot the bill of maintaining the network; this role has fallen to the project. This raises two questions:

1. Does this mean that the network is only of limited value to its members; or,
2. does the presence of an external party, who may have been instrumental in developing the network, simply diminish members’ incentive to contribute?

The CEFE Network Project recognises that such questions are central to the issue of a sustainable network. One solution being considered is positioning the network in the market, based on services with strong competitive advantages, perhaps transforming it into a commercial ‘for-profit’ entity

Financial sustainability and poverty focus – a political dilemma?

A dilemma identified by the project is that in South Africa, donors with a commitment to poverty-oriented development have traditionally targeted survival-level enterprises. Therefore BDS providers can attract significant funding for serving this target group. However the reality is that such enterprises are unlikely to pay significant fees for services, and therefore the BDS provider remains dependent on donor support. Conversely, BDS providers that target growth enterprises, where higher levels of cost recovery are feasible, find that donor support is not forthcoming.

2.12 ISTARN: An experimental approach to informal sector business support in Zimbabwe

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2.12.1 The distinctive features of ISTARN

The Informal Sector Training and Resource Network has an explicitly experimental, i.e. learning-based, approach to supporting informal sector enterprises. The project’s initial focus was on vocational training, the development and delivery of which was designed to utilise the surplus capacity of a technical college. Such services were supply-driven and were soon found to be ineffective and not focused on clients needs. Therefore an early shift took place, emphasising a broader response to enterprise needs and based on clients’ demand.

ISTARN has identified three core problems facing businesses in this sector: (1) weak basic business and technical skills; (2) low levels of innovation; and, (3) limited access to markets, particularly linkages with formal sector enterprises. The result of these constraints is that informal sector enterprises seldom grow upwards into the formal sector.

The client base

Non-agricultural informal enterprises in a variety of sectors including metalwork, vehicle repair, wood work, garment manufacture, hairdressing, construction and electrical repair.

The services

ISTARN concentrates on four main activities:

(i) Promotion of Traditional Apprenticeships

ISTARN has attempted to emulate and develop the traditional African apprenticeship system, where young people are trained in a skill by an enterprise in return for their (cheap) labour. Early attempts tried to stimulate apprenticeship 'take-up' by paying allowances to apprenticeships. It was found that this reduced motivation of apprentices to learn. Therefore the project reverted more closely to traditional practice where apprentices are responsible for finding a host business, and then 'paying their own way'. The project confines itself to facilitation, ensuring that an appropriate learning environment is available, and ensuring that trained apprentices have access to other BDS and credit should they attempt to establish their own businesses (this aspect was described in the presentation as "essentially a business start-up initiative").

(ii) Development of Small Business Advisers (SBAs)

ISTARN has trained a number of SBAs to deliver business training and advice to informal sector enterprises. However the most notable feature of this programme has been the development of a business-monitoring tool – the 'busiform' – which is designed to compile business performance data (invariably lacking for most small enterprises, especially in the informal sector). This data provides the diagnostic basis upon which BDS is provided, and provides a useful baseline against which business development can be assessed.

(iii) Establishment of Informal Sector Associations (ISAs)

In recognition of the organisational weakness and limited scale of informal sector enterprises, ISTARN supports the development of ISAs who represent members interests, most notably by bulk buying and selling of materials and by providing equipment hire, services which are extended to members and for which payment is received. ISAs also assist members in establishing trade premises ('serviced stands'), and offer credit facilities.

(iv) Marketing Intermediary Support Programme

A relatively new focus of ISTARN support has been to try and establish marketing intermediaries which can bridge the gap between informal and formal sectors, and therefore extend the market opportunities available to informal sector enterprises. ISTARN has recognised that this was not the role of a project or NGO and has attempted to find solutions within the market place.

ISTARN's activities have addressed problems of sector organisation, business management and production skills and access to tools, raw materials and credit. In some respects such BDS are conventional, however the promotion of traditional apprenticeships, and the

development of a business monitoring tool and its centrality to the delivery of BDS are two distinctive and innovative features of the ISTARN approach. The support extended to marketing intermediaries has also provided some interesting challenges.

2.12.2 Sustainability: What picture of the future does the intervention have?

An underpinning principle of ISTARN's approach is to build upon established local mechanisms and market-based initiatives. Its interventions are therefore facilitatory – focused on overcoming market constraints by developing private sector solutions. The case does not provide information on the extent to which specific ISTARN-supported services are sustainable, nor the degree of support they have required. However a number of observations can be made:

- In theory traditional apprenticeships are largely self-sustaining; apprentices and host business have a mutually beneficial and transactional relationship that does not require financial support. However the system is overseen by ISTARN (a role that is being transferred to the Ministry of Higher Education), and despite being built upon traditional practice appears to require considerable resources. ISTARN estimates that cost per trainee (including failures) is under US\$ 1,000 (but does not envisage that this service should become sustainable).
- The case does not establish how SBAs become independent, viable providers of BDS, continuing to operate without external support. SBAs have found it difficult to charge for their services to clients, primarily because clients cannot discern the immediate and tangible impact of some services. Where services are 'harder' and more tangible – such as business plan and credit application preparation or record-keeping training – SBAs are able to charge for services.
- The ISAs make a profit on the services provided to members, giving them a degree of financial autonomy and permitting them to extend additional services to members such as credit. The bulk-buying and selling function of ISAs is probably most important, both in terms of their sustainability, and their 'offer' to members.
- It is too early to assess the sustainability of marketing intermediaries. The fact that they are businesses and that intermediary services are profit making is encouraging, but ISTARN's role as a facilitator is central; identifying opportunities, selecting intermediaries and introducing the parties. How such a role develops in the long term without project support is not discussed.

2.12.3 Donor support for the intervention

The ISTARN project is supported by GTZ.

2.12.4 Impact and other achievements

- Apprenticeships: In the first year of the project 150 people achieved apprenticeship places. Studies indicate that 90% of these remained in employment (57% became self-employed and 33% found work as employees)
- SBAs: ISTARN has trained 90 SBAs and a further 15 accredited 'trainers of trainers'; 287 businesses have received training as a result of the project

- **Business performance:** Based on a survey of 53 client enterprises it was found that turnover grew by 34%, employment had increased by 46% (1.3 jobs per business) and assets had increased by 61% (although no control group comparisons were presented).

Other notable achievements include:

Putting monitoring at the heart of BDS delivery: ISTARN acknowledge the difficulty in attributing changes in business performance directly to ISTARN support. However a key achievement has been the development of the busiform, a framework which permits the consistent analysis of business performance over the long term, and attempts to link BDS solutions to concrete problems identified through these performance indicators.

Harnessing local mechanisms for business support: A notable achievement of ISTARN has been its willingness to look towards local solutions for local problems. The traditional apprenticeships and the ISAs appear to be successful examples of relatively low-cost and sustainable approaches to BDS, built upon existing mechanisms, rather than the creation of ‘imported’ institutions.

2.12.5 What can we learn from the ISTARN experience?

Given its explicit experimental focus, the ISTARN project throws up some salient lessons, applicable across the BDS field.

Adopting a learning-based approach to BDS: If there is a single clear consensus in the field of BDS it is that there is a lot we still don’t know. Innovative interventions with specific learning objectives can therefore perform a valuable function. Learning should not however be synonymous with lack of rigour or focus, in fact quite the reverse. Such interventions need to maintain a tight objectivity, with a high level of commitment to measurement and analysis of outputs.

Building on demonstrated initiative: Developing business support mechanisms at levels that are appropriate for the enterprises they serve is important; they should be similar in terms of culture, language and scale. Building on initiatives that already exist not only ensures focus and relevance to client enterprises, but also holds down development and operational costs and promotes local ownership. Such interventions therefore offer great potential for attaining sustainability.

Demand-led: An early lesson for ISTARN was that BDS services developed in isolation from clients’ needs – supply-driven – are ineffective. This is re-iterated by two further experiences:

- (i) SBAs have only been able to charge services where clients perceive immediate value. It is important to recognise that price in this regard is an important proxy that indicates the relevance of BDS to clients – if it is useful to them they will pay for it.
- (ii) Charging clients ensures their commitment. In the case of traditional apprenticeships, when apprentices were not required to pay host businesses, their motivation to learn was diminished and they failed to complete their training.

Maintaining focus: avoid mixing financial and non-financial services: Like many interventions extending business support services to SMEs, ISTARN has found that such enterprises also require credit. ISTARN, through difficult experience, has recognised that

trying to extend BDS and financial services is problematic and often unsuccessful. Therefore ISTARN confines its role to facilitating access to credit, rather than direct provision, and works closely with a specialist microfinance agency.

The challenge of building representative ISA structures: One persistent criticism of ISAs is that they have been dominated by male members, and heavily skewed towards the interests of male-dominated trades. Women, particularly those in sectors such as garment manufacture and hairdressing, have had little input into the running of ISAs; most notably they have not been able to influence the stock buying policies of ISAs. The challenge is to develop more equitable and representative associations perhaps based on gender or sector-oriented bulk buying operations, rather than the existing ISA structure which combines geographical districts, genders, sectors, bulk-buying and advocacy roles.

Developing commercial marketing intermediaries: ISTARN remains committed to the concept of a market-based intermediary, providing a valuable service as a broker, 'managing' contracts for products and services between formal and informal enterprises. The challenges for ISTARN in developing such intermediaries are twofold:

- (i) Identifying the form and roles of commercial intermediaries, selecting suitable candidates, and establishing a contractual and pricing structure that is mutually beneficial to all parties;
- (ii) Once established, replicating the whole process, and transferring it sustainably to the private sector, eliminating the need for an organisation such as ISTARN to facilitate important stages in the process.

3. What have we learned about sustainability?

3.1 Introduction

This chapter brings together the rich material provided by the various case studies, and also by the many group discussions held during the Workshop; it provides some analysis of the data and views presented, and defines the main issues and questions arising. It does not answer definitively the question which some participants posed: “what strategies work?” as this question begs many others, in particular:

- what are we trying to create? For example, are we trying to create a high-quality institution, staffed by excellent people and delivering first-class services? Or are we considering instead the increased availability of specific services, available at an affordable cost (and therefore sustainably) to a greatly increased proportion of the small enterprise population?
- for whom should this ‘work’? For example, does the launching of a high-quality but subsidised service ‘work’ for existing private-sector service providers?
- is the BDS contributing (as its highest priority) to economic development generally, to poverty alleviation, to the promotion of high-quality, non-exploitative jobs or to the economic participation of a particular target group?

In addition, it is clear that there exists a wide range of BDS; at least 8 distinct types were considered during the Workshop. The measures used for monitoring also vary, with case studies not always reporting on the same parameters. So this chapter will summarise the material presented during the Workshop, making cross comparisons and extracting ‘lessons learned’, wherever possible. It will also set an agenda for issues which need to be addressed (according to the participants); like the Workshop itself, this chapter is structured to address the following questions:

- what are the key measures of sustainability for BDS?
- does the pursuit of greater financial sustainability make BDS more effective?
- what is the long-term role of the State in the provision of sustainable BDS?
- what are the new frontiers in improving sustainability in BDS?

Participants noted that project design is normally championed by donors. The presence of so many donors was therefore particularly appreciated, since it gave other participants the opportunity to understand the perspective of donor agencies, and also allowed for discussions on ways in which to overcome the potential for what some saw as a ‘one-sided’ relationship.

3.2 What are the key measures of sustainability for BDS?

Trends in BDS provision

The findings are essentially a ‘snapshot’ within a context which is changing rapidly; even the vocabulary of SED is changing. As service provision moves from the public to the private sector, owners of small enterprises are viewed less as ‘pliant beneficiaries’, and more as ‘discerning clients’. Donors are seeking to invest, rather than to subsidise. Project staff are no longer selected only for their managerial competence, but increasingly for their ability to provide services in entrepreneurial ways. Host governments increasingly expect to facilitate,

rather than to offer, BDS. Even the concept of ‘cost recovery’ is gradually giving way to that of ‘profitability’, where sustainability is a high priority.

The debate is also clearly moving beyond simplifications; for example, there has been an Orwellian mantra along the lines of ‘supply-side=bad; demand-side=good’, whereas it is clear that business-like interventions can be effective by addressing either one or the other, in appropriate ways. There is much more talk now, for example, of addressing market imperfections, to obtain leverage; a shift in objective, from the establishment of sustainable interventions to the establishment of sustainable market processes, seems to be helpful. Perhaps most importantly, there has been a shift, whereby it is now considered that BDS can be delivered sustainably; after all, most current service provision is by the for-profit private sector, and the Workshop indicated an increasing interest in learning from that experience, too.

Defining sustainability

The Workshop took as its main theme ‘sustainability’, and developed that at three levels:

- individual BDS, which can be financially sustainable, and even profitable, for the provider
- organisations and companies which provide those services, and which may aspire to become sustainable and independent, both financially and institutionally
- the small enterprises using those services, which may experience sustained improvements in performance as a result

The Table included as Annex II lists some rough measures of sustainability in these three categories. The sustainability of the individual BDS is represented in the proportion of the direct costs which were charged as fees. The sustainability of the provider is reported as the proportion of overall costs charged as fees. The sustainability of the small enterprise is taken as the survival rate.

This Table already illustrates some problems with definitions, and therefore with cross-comparison of the data. K-MAP, for example, reports that income generated as a result of one training course was nearly 400% of the direct costs of providing it; in other words, that training course was proving to be very profitable. But the income included in this statement derived partly from fees charged to small-scale entrepreneurs, and partly from funding provided by a donor to strengthen the organisation, on condition that the training was delivered. While profitable in the short term, it is not evident (without separating the contribution of entrepreneurs from that of the donor agency) how sustainable the course would be in the long term.

In particular, a major interest in mounting this Workshop was to see what progress had been achieved in matching the achievements of micro-finance methodologies, in terms of defining services which could be provided sustainably to large numbers of people at the poorer levels of society. Thus, sustainability in this context was considered to cover especially individual services which showed signs of profitability; that profitability should be based on revenues generated from commercially-motivated sources within the private sector.

Within this consideration, any revenues originating in the public sector (donor or host government) would not qualify, although revenues earned through supplying governments on

a commercial basis with goods or services might. Similarly, revenues from the private sector, but based on purely philanthropic motivations, would not qualify, on the basis that such revenues tend not to be sustainable in the long term.

On the other hand, revenues might be generated from sources other than the target small-scale enterprises. For example, larger companies wishing to advertise to small enterprises might purchase advertising from a service provider (as experimented with by FIT). Similarly, training of bank staff in the skills required to lend to SMEs (as with Empretec Ghana) may also qualify. Membership fees paid by SMEs for participation in an organisation should qualify, too.

Working with these definitions, the following is a very approximate and preliminary ranking of BDS which are showing promise, as individual services, of sustainability:

1. Marketing services } potentially profitable?
2. Business tourism }
3. Training courses ----- 100% cost recovery
4. Consultancy }
5. Information services } needing increasing subsidies
6. Technology ('corporate') }
7. Counselling }

This is of course a very 'broad brush' picture, and needs qualifying at many levels; in particular, it refers only to the financial sustainability of the individual service. The data on the financial sustainability of the provider, where they are provided, look less promising; this may be attributed, however, to the 'research' nature of much BDS provision at present, with the associated high overheads. Nonetheless, the ranking given above can inform the debate, which has tended to become polarised between two schools of thought, one that says that sustainability is not possible, and the other which says that it should be the main objective. Indeed, the greatest efforts to reduce costs seem to have been in counselling, where two case studies refer to the use of voluntary (i.e. unpaid) counsellors. This experience is discussed in more detail below.

The sustainability of the client enterprises (survival rates, in the Table) looks more promising; in the presentation on K-MAP, for instance, it was noted that the survival rate of K-MAP clients is 94% after two years, whereas 94% of Kenyan enterprises as a whole fail within 2 years. However, this discounts the effect of the initial selection and screening procedures used by many of the BDS providers profiled for the Workshop; often, only the most robust and determined are selected to receive the service in the first place.

Distinguishing between 'sustainability' and 'cost recovery'

It is also important to distinguish between the quest for true financial sustainability (i.e. profitability) and the acknowledgement of the benefits of an element of cost recovery. Charging some kind of fee for BDS is now widely considered to bring a range of benefits, including:

- a formalised way in which those benefiting from the service can give direct feedback about their demand for the service on offer
- a way to ensure that those accessing the service feel some degree of 'ownership' of

the service, implying that they will then be more likely to try to use the service to their advantage

- assuming that users in the longer term access the service as a result of word-of-mouth recommendations, a format for collecting feedback about the perceived value of the service to previous recipients

It is therefore important not to refer to recovery of 50% of the costs, for example, under the heading of ‘sustainability’, unless there is a credible vision of how the proportion will be increasing to over 100%. Continuing cost recovery of 50%, while valuable in many ways, will clearly not lead to sustainability after external financing comes to an end.

Other aspects of BDS performance

In addition to sustainability (and sometimes instead of it), other aspects of BDS performance may be considered as important; borrowing from terminology developed in micro-finance, they would include scale, outreach, impact and cost-effectiveness. These aspects are to some extent intertwined, and therefore they are also summarised here; scale and outreach are listed in the Table, while impact and cost-effectiveness are considered in the text (since the measures used were more diverse).

The scale achieved in the different case studies seems to be closely correlated with the number of years of operation. K-MAP, established the longest, had also reached the greatest numbers. However, even that scale is relatively small, in terms of the total demand; clearly, BDS providers will have to be able to achieve greater scale in the future. During the Workshop, one participant noted that scale had not been discussed much. This provoked a strong reaction from another participant, to the effect that the main aim of achieving sustainability, for her, was in order to be able to replicate at low cost, and therefore to achieve scale. This point seemed to have been lost on some participants.

The degree to which BDS provision had reached people who would otherwise face barriers in accessing services commercially, referred to here as outreach, seemed to divide into two categories:

- providers targeting SMEs with growth potential (e.g. ESSA, EGF, K-MAP)
- providers targeting MSEs in poorer levels of society (e.g. SITE, Akili)

It also seemed that providers taking a commercial approach (e.g. FIT, ZIWA) had collected fewer data on the characteristics of the ultimate clients. But there seemed to be a general need for more data in this area; as DFID emphasised strongly at the Opening of the Workshop, poverty alleviation remains the primary objective of many donors. So, for example, there would presumably be merit in tracking the impact on poverty of assisting relatively large, growth-oriented businesses.

Where data were provided, they did not in general show that women were benefiting from the BDS (with the exception of CEFE); indeed, few case studies gave much detail on gender aspects. But the Akili case study made the intriguing observation that businesses owned by women had “significantly under-performed male clients’ businesses (the women achieved a 5.7% increase in income, compared with 38.9% for the men)”. Meanwhile, female-led businesses had “performed better than their counterparts in the control group”. This poorer performance in the client group was explained partly in terms of a concentration on textiles,

and partly in terms of gender-specific barriers to pursuing product innovation. Similarly, the CEFE case study notes that one third of men, but only one quarter of women, view business problems as being gender-specific.

The impact data reported in the case studies are summarised below; in interpreting them, a number of factors should be borne in mind:

- few have addressed the question of attribution: how can we be sure that only the BDS in question has led to the change noted? Only ApproTEC, the one organisation making no attempt to achieve sustainability, has formally introduced the use of control groups
- where several services were being offered by one organisation, how was the impact of each service separated?
- did the clients benefit, to some extent, at the expense of enterprises which did not purchase the service (e.g. in terms of increased / reduced market share)
- some organisations are only now engaged in the introduction of client monitoring systems

Start-up rates:

Preliminary BDS Guideline:	30-60%	(benchmark)
SYB	36 % ave.	(3 countries in Africa)
	66%	in Uganda
CEFE	>65%	(estimate, worldwide)

Employment growth:

Empretec Ghana	12% p.a.	
K-MAP	53% p.a.	(106% in 2 years)
ISTARN	44%	(over 1-2 years)
Akili	0.24 jobs/business	(over 2 years)
SYB	1.6 jobs/start-up	(over 1 year)
ISTARN	1.36 jobs/business	(over 1-2 years)
ApproTEC	8,000 jobs created	(over 7 years)

Only ApproTEC had developed a working definition of the term job, to comprise work which lasted at least 5 hours per day, for at least 150 days per year.

Revenue growth:

K-MAP	146% p.a.	(292% in 2 years)
SITE	57%	(timescale not given)
Akili	15% p.a.	(30% over 2 years)
relative to	-5% for control group	
ISTARN	34%	(over 1-2 years)

Profits growth:

SITE	25% ave.	(timescale not given)
ISTARN	12% ave.	(over 1-2 years)
relative to	20% inflation	

CEFE	78% of clients reported increased profits
Assets growth:	
K-MAP	95% p.a. (189% over 2 years)
ISTARN	219% net current assets (over 1-2 years)
	61% fixed assets (over 1-2 years)
Up-take of service	
SITE	20-30% increase in apprenticeship training
MBLP	138 linkages created (in 2.5 years)
Poverty alleviation	
Akili	70% of clients initially classified as 'extremely poor' now in a higher-income bracket 35% increase in 'well-to-do' client category (over 2 years)
Repeat use of 'service':	
ApproTEC	20% of pump purchasers purchase another one within 6 months

Cost effectiveness

Few papers presented detailed information relating to cost-effectiveness, not least because there is not yet any agreed methodology for measuring it across projects; all of the caveats relating to impact measurement also apply with cost effectiveness. In addition, there are problems in cost attribution, where the organisation is providing several services in innovative and exploratory ways. Several organisations are now starting to collect more information in this area; for example, staff of ESSA and Empretec are recording how they use their time. ESSA, K-MAP, ApproTEC and AMKA presented their achievements in cost effectiveness, in terms of 'cost per job', all falling in the range \$340-760.

However, this statistic is based on so many assumptions (and possibly also on different methods of calculation) that it must be treated with great caution, particularly where the organisation itself has produced it. Other possible indicators of cost effectiveness are given below. To give an idea of the range of prices paid for services, those are also listed below.

ApproTEC:	7.5 ratio of new profits and wages to donor input, for the treadle pump
	3 ratio of new profits and wages to donor input for the oil press
MBLP	\$450 direct cost per linkage created

Prices paid for services:

ESSA consultancies average \$13,160; one training course at GIMPA costs \$50

K-MAP courses cost \$17-583 per person, counselling \$12 per session

SITE courses cost \$6-65 per person

Akili charges \$1.50 for introductory session, \$5 for later sessions

FIT Uganda charges private trainers \$42 for their training. Those private trainers charge \$8 per course to urban clients, \$4 to rural clients

SYB partners charge \$5-100 (average \$25) for the course

FIT Kenya charged \$1.70 for the information booklets

FIT Benin charges MSEs \$2 to ask a question

ApproTEC treadle pumps cost \$67 each, the oil presses cost \$442 each. Manufacturers pay \$1,000 for training, users pay \$25 per course
AMKA charges 0.5-2% commission on sales through its intermediation (sales of less than \$500 are free of charge)

The highest fee is hundreds of times greater than the smallest, emphasising again the very disparate nature of the client groups being served by the BDS providers. Presumably, this further highlights the potential pitfalls of broad generalisations, and the need to segment the market at every stage (including that of 'lessons learned').

3.3 Does the pursuit of greater financial sustainability make BDS more effective?

The potential advantages of financially-sustainable BDS provision

As already inferred in the opening of this Chapter, asking about the effectiveness of BDS requires a detailed consideration of the term 'effective': effective for whom, and to reach which objectives? The timescale is clearly important; the quest for sustainability might carry performance penalties in the short term, but achieve greater scale in the long term. One starting point is to consider the potential advantages of achieving sustainability in BDS provision:

- cost-effectiveness is likely to be high, even in the short term, in the sense that local contributions are maximised
- scale may be greater in the long term, since replication is at least low-cost, and at best spontaneous
- something visible and useful remains after donor funding has come to an end
- many of the complexities inherent in trying to measure impact can perhaps be avoided, if the degree of sustainability is taken as a proxy indicator of impact
- all of the benefits associated with any degree of cost recovery (such as enhanced client feedback, increased local ownership, etc.) also apply to BDS achieving full sustainability (see below for a more detailed discussion)

Based on these observations, there was some consensus in the Workshop that sustainability was indeed a Good Thing, in a general sense. Indeed, one working group developed some operating principles, through which financial sustainability may be achieved, and these are summarised below.

Operating principles to achieve financial sustainability

For providers

- < keep overheads low; plan for sustainability from the outset, and avoid creating parallel structures
- < use high-quality management to achieve efficiency and staff 'ownership'
- < provide specialised services of high quality
- < target a growing market, ensuring that services respond to market demand
- < ensure high impact on clients
- < charge from start-up, and define targets for cost recovery, reducing the subsidy over time
- < ensure a legal structure which allows for financial transactions with both SMEs and

donors

For donors

- < measure growth against benchmarks, fund according to a business plan
- < select providers on a competitive basis, and then ensure that reporting is to business standards, and not unduly onerous
- < invest in innovation and experimentation, product development, dissemination of good practices, and capacity building (rather than subsidising service delivery)

When may the pursuit of financial sustainability not increase effectiveness?

Within the positive general picture, however, it became clear that there were cases where the pursuit of sustainability as the highest priority may not be helpful:

- there may be a need to meet other performance criteria (e.g. impact) as a higher priority, within the time-frame of a project
- making sustainability a high priority may not be helpful, for those types of BDS which are most difficult to make sustainable. ApproTEC, as a 'corporate' technology provider, noted that the period in its history when it was forced to search for funds (i.e. be more self-sustaining) had also been the period associated with the least impact in the field
- some BDS may be provided to meet specific social objectives as the highest priority (e.g. contributing to poverty alleviation), rather than addressing a market imperfection (which, once corrected, will operate more 'perfectly'). Sustainability might not be possible in this context.

In the case of BDS to meet social or welfare objectives, the provision of subsidised services calls for a clearly-articulated exit strategy from the outset, if the subsidy cannot be provided indefinitely - even though some donors may be ready for the 'long haul'

This whole discussion was premised, however, on the assumption that BDS cannot be provided in financially-sustainable ways to disadvantaged groups (the poorest, women, business start-ups, youth, etc.) It is worth noting that a similar assumption pervaded the micro-finance debate 10-15 years ago, but subsequent experience showed that sustainability was possible, if the 'offer' was right. In particular, the assumption obviously relates to BDS offered so far, and service providers funded so far; many more possibilities remain to be tried in both areas.

A number of assertions were made in case studies, about the ground-rules for maximising effectiveness; however, the basis for these assertions was not always fully documented, implying presumably that they were based on anecdotal or intuitive observations. For example, "the ESSA experience shows that a strategy that focuses on large numbers of clients at low cost will not produce the greatest impact with SMEs." That case study does go on to acknowledge that "little work has been done to date which actually examines the tradeoffs. The ESSA database should allow some information that will help to clarify this issue over the next year."

Similarly, the experience of Empretec Ghana is reported to show that sector-specific programmes have greater potential, but the line of reasoning leading to this conclusion is not

fully documented. Nonetheless, it is supported by SITE's observation that willingness to pay for training courses is greater when specialised skills are being taught. As noted earlier, some types of BDS appear to be more difficult to 'commercialise' than others, and counselling (being very labour-intensive) may be the most difficult. A major effort to reduce costs has involved the use of counsellors who volunteer their time, and this is discussed in more detail below.

Voluntarism and sustainability

The use of unpaid counsellors, referred to in the case studies as 'voluntarism', is employed by K-MAP, and planned by EMPRETEC, to reduce the cost of counselling services. In considering the sustainability of this service, an important issue is the motivation of those counsellors to 'donate' their time. In the case of K-MAP, motivation apparently comes in the following categories:

- large companies donate staff time, because involvement in K-MAP is seen to be valuable in terms of social obligations, public profile, networking and also because of the long-term importance of a growing SME sector to their own growth;
- all counsellors (and their employers) gain, in terms of career development and kudos; K-MAP structures the experience to maximise this. Aspiring counsellors are vetted and if accepted by K-MAP, are provided with high quality training. Prizes are also awarded each year for the best counsellors;
- some private consultants and trainers donate their own time to K-MAP, as a 'loss leader', to gain experience and contacts.

In today's competitive climate, it may be increasingly difficult for large companies to donate the time of their executives; indeed, a number of K-MAP staff note that this seems to be the case. In that context, it is encouraging that private consultants are interested to volunteer their services. This suggests that, in terms of motivation, using voluntary counsellors may be sustainable. It might also suggest that 'voluntarism' is not the right term, implying as it does an element of philanthropy. If counsellors are actually motivated by commercial concerns, then the facilitator is actually providing a network-enhancing function.

However, it seems that, even with counsellors providing their time without charge, the facilitation process may itself not be financially sustainable. K-MAP has 550 volunteer counsellors; while the organisation has not costed the facilitation process separately, it notes that it is expensive to select, train and motivate high-quality people. The fees paid by small-scale entrepreneurs (\$12 per session for 5 sessions) do not cover all costs. Nonetheless, voluntary counsellors do provide value for money; a notional valuation of counsellor inputs shows that it exceeds K-MAP's entire annual cash expenditure (on both counselling and training).

If indeed the facilitation of volunteer counsellors is not financially self-sustaining, then the reason to support it with public funds is presumably to achieve a scale of outreach which offers good 'value for money'. But might this subsidy be considered as a market distortion? And while some counsellors within the private sector are in a position to volunteer their time, others probably are not. So the benefits to the volunteer counsellors (new contacts, additional experience, authentication of the quality of their work) are not available to counsellors at the lower end of the provider spectrum.

EMPRETEC is currently involved in the launch of Ghana Executive Service Overseas (GESO); this is modelled on the British BESO, which seconds volunteers who have retired, but who have relevant experience. GESO hopes to provide advice at prices around 20-30% of the current market rate; it is not clear what effect such initiatives will have on the private-sector provision of counselling, either in the short or the long term.

In general, the expression of voluntarism is very specific to the local environment and culture; this can create problems for donors wishing to stimulate (rather than stifle) it - unless there is a strong local intermediary already in place.

3.4 What is the long term role of the state in the provision of sustainable BDS?

There was wide consensus, particularly among participants working within host governments, that the state should promote private-sector service provision wherever possible; a working group consisting of government officials concluded that “Government has no business being in business”. Any government intervention should therefore aim to be short-term or transitory, and great care was needed, in such cases, to avoid distorting the market, and to ensure that the private sector became involved as rapidly as possible.

This finding was particularly important, as most donors work through host governments. Their support for such policies was therefore vital, for example to see that “the profit motive can be developmental”. Conversely, the danger is that government comes between the service provider and the client, distorting the relationship in unhelpful ways.

Clearly, the state must take the leading role in the vital area of an enabling policy environment. While not discussed in detail during the Workshop, some other aspects were also touched on; it was considered, for example, that the state can play important roles in:

- policy research, and possibly in research generally, where the costs would not normally be borne by the private sector
- setting standards, and accrediting BDS providers
- opening its procurement process to small enterprises, so that they can win tenders to supply goods and services
- giving fiscal incentives for private BDS providers to introduce innovative services
- building a consensus among all of the stakeholders in BDS provision
- ensuring that infrastructure was adequate; privatisation of telecommunications provision was cited as a potentially useful step in this respect
- introduction of appropriate teaching modules in schools (e.g. teaching design skills, for future technology development)

One possible role for the state was considered to be in the subsidy of BDS which are provided to meet welfare objectives, rather than to address a market imperfection. Similarly, there may be important gaps, or ‘vacuums’, in service provision, particularly for special groups; South Africa was mentioned as an example, where government is expected to play a major role in the short term.

But concern was also expressed about the ability of governments to provide such subsidies in the long term. Industrialised countries often subsidise BDS heavily, but circumstances are

often rather different to those in developing countries. In particular, governments with a high level of disposable resources may be able to take on wider and more active roles, relative to governments which are highly restrained in terms of resources.

It was proposed that the long-term objective in stimulating BDS provision was to create a middle class, which will pay its taxes, and which will ultimately enable governments to take over appropriate subsidisation. This emerging middle class would then also ensure that governments were transparent and accountable.

One question posed by a working group, which was not considered in detail, was the role of municipalities in BDS provision. Clearly, municipalities play an important role, in the sense that they often have more direct contacts with SMEs than do national administrations. This issue remains to be discussed in the future.

3.5 What are the new frontiers in improving sustainability in BDS? To invest in BDS providers or in the development of individual services?

While the focus in micro-finance has settled clearly on institution-building, the dilemma remains in BDS, as to whether to invest in the strengthening of BDS providers, or in the development of innovative and potential profitable services. Several case studies describe activities which essentially aimed to strengthen the provider, and strong views were expressed to the effect that donors should fund providers, and leave them to do what they do best. This was particularly the case, in the many examples where organisations had grown around strong local leadership and vision. However, the need of donors for transparency and accountability was also noted; donor agencies cannot delegate all responsibility to their local partners.

Clearly, strengthening of local organisations is currently considered to be very important; DFID alone has invested about \$2,000 per employee per annum in institutional and product development for Empretec Ghana, although the case study does not specify how that money was spent. Workshop participants emphasised the need to create 'learning organisations', and to give the staff of BDS organisations the skills they needed, in order to be entrepreneurial. This would address the current situation, where all of the organisations profiled in the case studies remain dependent on donor funding to some extent, even for their running costs.

According to the K-MAP case study, "the core problem is that donor funds and work practices can have an indirect effect on partner organisations, driving a wedge between them and their clients in terms of systems, culture and scale." While clearly true in some cases, this analysis neglects the influence of partner selection; it implies that, without (or prior to) donor input, the partner organisations would have been close to their clients.

But existing organisations which are traditionally selected as partners have tended to be staffed with highly qualified personnel, not least because these people are articulate, and can talk the language of donors. For example, the Empretec Ghana case study noted that "all professional staff have university degrees, diplomas or an equivalent professional qualification", but this presumably makes them relatively expensive to hire. Low-cost, decentralised organisations, on the other hand, can probably do more with less money, but the transaction costs for donors are far higher (especially as a percentage of funds disbursed). Such organisations may be geographically distant, inarticulate, lacking in conceptual and planning skills, and unable to 'absorb' substantial levels of funding.

Another potential drawback to a focus on organisation-building is that donors, perhaps without meaning to, may project models of BDS providers used in their home countries, onto providers in developing countries; significantly, government-funded BDS providers in industrialised countries rarely have sustainability even as one of their objectives. One possible example of this was Empretec Ghana, where “around half the salary cost is incurred by people with no direct revenue generating role ... expenditure classified under ‘administration’ accounts for over 60% of costs”.

Indeed, the non-profit format was developed as a legal vehicle, based on a developed-country model, to enable donors to provide core funding; it is presumably not necessary if contracts are performance-based. Coupled with well-publicised access to public funds, a non-profit constitution can make it very difficult for an organisation to charge a realistic price for services provided; entrepreneurs can feel quite strongly that a non-profit organisation which is itself subsidised should be providing subsidised services to them. This led one working group, during the workshop, to declare “in five years, NGOs will be dead, donors will just work with businesses”.

This was, however, a minority view; another, more popular solution was to make “BDS products, rather than institutions, ... the appropriate focus for interventions” (as noted in the K-MAP case study, for example). Participants noted the great potential to develop innovative BDS which are both low-cost and high-volume; various communications technologies, such as the internet and video cassettes, were mentioned.

Making the services themselves the focus carries a similar hazard to the focus on BDS providers, namely that donors and other development agents will take as a starting point BDS provided in their own countries. Again, however, these services were often never intended to be sustainable; subsidies have been accepted as a fact of life in those countries, and it would therefore be particularly unrealistic to expect service providers to offer those services in developing countries, on a sustainable basis. Furthermore, such services are often not what SMEs actually want, forcing providers to “get SMEs to recognise the value of the services” (in the words of one working group).

Instead, a fresh approach is needed, where the term BDS is interpreted as widely as possible, for example to cover services which are already provided informally, or which are provided commercially in some countries but not in others.

The effects of subsidised BDS on private-sector provision

Several of the case studies described projects predicated on the idea that a subsidy in the short term would stimulate private-sector provision of BDS in the longer term; these would also include, for example, voucher training and matching grant schemes. The idea is that entrepreneurs who would otherwise be reluctant to try services, will do so if the initial experience is subsidised. Once they have tried the service, they come to see the value, and are subsequently willing to pay a higher proportion (and ultimately 100%) of the true costs of providing that service.

Thus, the entity delivering the subsidy disappears once its job is done. ESSA, for example, “was designed to work itself out of a job. The intention was to build direct relationships between [private-sector] consultants and SMEs that would no longer require a broker to

initiate or monitor”. Little evidence has been offered, however, to show that this strategy is indeed effective. What private-sector provision was available, and accessed, before the start of the project? And how did the level of that provision change, after the project had come to an end?

The Empretec case study notes that, in terms of a spontaneous creation of a market in BDS, there are “few signs that this is really happening with EGF’s clients; there remains a considerable mismatch between supplier and customer price expectations”. Indeed, it is presumably possible that donor intervention is aggravating that mismatch, by raising supplier expectations, while at the same time reducing customer expectations (by raising hopes of substantial subsidies).

Given donor interest in BDS, it is also possible that an intervention which was originally conceived to ‘work itself out of a job’ can assume a life of its own. “Only after EGF was borne as an organisation did sustainability move seriously on to its agenda.” A similar trend was also apparent in other case studies, including for example the Manicaland Business Linkages Project (MBLP). The project started as a learning exercise, with the aim of achieving impact; at the time of the Workshop, it was starting to explore how it could itself become “largely” sustainable with local resources. Participants noted that the achievement of a change in culture, so that linkages became a more important part of the local business life, was perhaps enough.

A further option is simply to say that existing SME capacity is so inadequate that talk of working with it, and of giving priority to sustainability, are inappropriate. For example, ApproTEC has taken an approach characterised as “corporate” in the Preliminary BDS Guideline; it considers that the SME sector in Kenya essentially has no capacity yet to design equipment for mass production. It is therefore appropriate for an NGO to carry out all of the steps needed to introduce a new product on a large scale. The presses and pumps which have been introduced on this basis have indeed sold in large numbers (over 3,000 at the last count), and it is clear that ApproTEC is doing what it does, very effectively.

The case study thus illustrates the potential benefits, in terms of achieving scale and impact within donor time-frames, of working in parallel with SME producers. Perhaps ApproTEC’s work will inspire potential SME designers of new equipment to follow the same process. On the other hand, it may send a message that design work effectively cannot be carried out by people in SMEs. It is too early to say which is the case, overall.

Thus, there is a need for more longitudinal studies in this area, to determine what the impact of subsidies in the short term actually is on private-sector demand and supply in the long term. Such studies would need to consider, preferably before the project has started, what the existing private-sector provision is at the grass roots. This topic is considered in more detail below.

What is the private sector already doing, in BDS provision?

The FIT Uganda case study on private-sector trainers made the point that project designers rarely study existing private-sector provision at the grassroots, before launching their own, subsidised services. Most dismiss this provision as ‘not significant’, and indeed, they may sometimes be right. But FIT Uganda apparently found hundreds of SME trainers, living

entirely on fees charged to their client trainees; furthermore, the majority of these trainers requested training-of-trainer courses, by way of assistance.

Thus, it was acknowledged during the Workshop that only formal-sector provision was normally reviewed, while the services most likely to be sustainable would be in the informal (and therefore low-cost) sector. This sector has generally been 'invisible' to the development community. For example, the Empretec case study noted that "there is not really a 'natural' private sector in training and consultancy services" in Ghana. But it is not stated whether anyone took a systematic look at this, as part of the project design.

SITE offered some interesting insights on private sector training provision for apprentices; apparently, entrepreneurs make between 8% and 20% of their net profits from training apprentices. Fees are increasingly paid for apprenticeships, ranging from \$8 to \$17 pm per trainee in Nairobi. As a result, perhaps 70% of all entrepreneurs in the informal sector in Kenya have been trained through the traditional apprenticeship system.

These fee levels were echoed by FIT Uganda, which noted that there are hundreds of trainers working within the private sector, without recourse to any public funds, who are happy to earn \$80-160 per month. Clearly, this is a very different scale from that of trainers paid by development agencies; such people would expect to earn at least \$80-160 per day. This gap may go part of the way to explaining the difficulty which many development projects report in achieving sustainability; the fees which small enterprises are willing and able to pay are (as in this example) perhaps 5% of what publicly-funded service providers expect to receive. But, given that the scale of financing is so different, great care must be taken not to impose industrialised concepts of service quality, reporting requirements etc. on a system which is sustainable, but fragile (and admittedly of variable quality).

Donor coordination may also be of particular importance in achieving sustainability in BDS. FIT Uganda cites the case of one private-sector trainer in Western Uganda who was struggling to market his offerings - because a donor-funded project was offering training courses, not only with a \$4 sitting allowance, but also culminating in a party, with free beers and roasted meat. While the trainer in this story was nonetheless able to market his course a few weeks later, at a price of \$8 per participant, his task had clearly not been made any easier by the project activity.

Indeed, the fully-private training sector may be larger in Uganda than elsewhere, because of the relatively undeveloped formal training infrastructure in the country as a whole. In particular, towns without much formal training provision were found to have more private trainers, offering courses on a sustainable, fee-paying basis. Where the prospects for subsidies are poor in the long term, there is probably considerable merit in paying more attention to improvement of existing, private-sector provision - or at least in considering the effects upon it of offering competing, but subsidised, services in the short term.

A similar comment was made with respect to the travel agency launched by FIT Uganda as a joint venture. This agency is now offering business tours to SMEs on a commercial basis; while demand is strong, competition from Chambers of Commerce and other organisations offering free or highly-subsidised tours was causing some problems.

Private-sector trainers do offer a number of other potential advantages, in addition to the low operating costs mentioned above. For example, they are likely to be offering courses in the local language, which may make a significant difference to the up-take of the training material. The CEFÉ case study, for example, notes that “the majority of those [trainees] who said they experienced difficulty comprehending the course said these problems were language related”.

Several participants commented that competition between service providers could be healthy, as long as the playing field was level - in other words, as long as all providers enjoyed the same subsidy (or no subsidy). This implies a need for more research on which BDS the private sector is already providing, and which services it could provide, given appropriate stimulation. Where significant existing capacity is identified, this aspect should be taken fully into account when designing future projects.

Who should do what?

The spectrum of BDS and potential providers implied above points to a complex picture, in terms of which services should be provided through which type of provider (and even to which client group). For example, it was considered that, in the future, the private sector (and particularly large corporations) may become the main source of funds for BDS provision. Similarly, creative linkages with the private sector were touched on; SITE described an arrangement whereby local paint manufacturers provide the paint and the trainer for SITE courses, as part of their promotional activities.

While the Workshop did not develop a complete picture in this respect, one working group developed a matrix to illustrate the possibilities for marketing services:

Marketing services	Private business	Non-profit providers	Donors	Government
Trading and commercial	Main providers	No (except perhaps for demonstration)	No involvement	No involvement
Generic market information and research	No	Yes, especially associations	Yes, for investment and start-up	Possible role
Specific market information	Yes	Yes	Yes, but to a lesser extent	No

Other new frontiers

Other new frontiers, touched on but generally not discussed in any depth during the Workshop, included the following:

- offer of BDS through joint ventures with the private sector
- test marketing of innovative BDS, rather than depending only on detailed needs assessments
- increasing use of the ethical trade philosophy and network
- franchising of services
- the promotion of 'quality' jobs, with care not to create jobs which are exploitative, dangerous, etc.
- the potential hazards and opportunities of combining BDS with financial services

4. Future agenda

Technical themes

A major technical theme emerging from the Harare Workshop was a consideration of how donors can work more within the dynamics of the local private sector, rather than projecting (consciously or unconsciously) the systems, culture and scale onto local providers. Specific areas where the Workshop contributed to the debate, and more work is now required, include:

- shifting some attention from strengthening organisations as providers, towards the definition of specific BDS which are in demand, and can be provided sustainably
- researching the effects of service subsidies on private-sector provision, in both the short and the long term; more generally, how can BDS provision catalyse, rather than displace, private sector initiatives?
- reviewing more carefully the existing provision of BDS by the private sector, both formally and informally, as part of the project design process (and indeed developing the tools with which to do this)
- developing more widely accepted standard measures of performance (including detailed methodologies for their measurement), and relating these to the priorities articulated for different programmes (e.g. employment, economic growth, social equity)

Immediate actions

In addition, one of the clearest calls from the Workshop was for an increased exchange of experience on good practice in this area, ultimately leading to the development of ‘templates’ for the various types of intervention (including benchmarks etc.) A ‘show of hands’ indicated that at least 90% of participants had access to the World Wide Web, and also were aware of the SED Journal. These channels may therefore be effective in disseminating good practice in BDS.

It was agreed that the pink-covered booklet, published by the Donor Committee on best practice in financial services, should be circulated to participants; this would enable them to glean as many lessons and ideas as possible from the financial sector experience, for possible application to the BDS sector.

The Committee of Donor Agencies for SED is also organising an intensive Conference for members on the subject of BDS, in Brazil, March 1999. That event will run into a regional event, for Latin America and the Caribbean, organised by the Inter-American Development Bank. Another regional event, for Asia, is planned to take place thereafter. Related events are also being planned, on a national or regional basis, by a number of agencies; in addition, some agencies are increasing their efforts in this area (e.g. USAID’s Micro-enterprise Best Practice project).

All of this exchange of experience should allow the Preliminary Guidelines for Donor Funded Interventions on BDS to become just “the Guidelines” within the shortest possible time-frame.

Meanwhile, it is evident that the field of BDS is far more complex than that of financial services; the range of products and offerings is clearly much greater. Correspondingly more

data will be needed, therefore, in order to be able to draw meaningful conclusions about particular services, and between types of service.

Consequently, participants called for much more experimentation and innovation in the area of BDS, so that creative solutions could be found to the various problems. This may require new or modified institutional arrangements; for example, the value of an intensive mentoring relationship for local BDS providers (such as that with Empretec Ghana) was noted by participants. This appeared to maximise local ownership and minimise the cost of expatriate input, while ensuring a flow of information about emerging best practice worldwide.

Despite the difficulties in measuring impact, and in achieving sustainability, BDS continue to attract strong interest in the development field; that interest was particularly evident in this Workshop. The priority now is to maintain the momentum, and to realise the potential which is intuitively felt by so many people.

**HOW SUSTAINABLE CAN BUSINESS DEVELOPMENT SERVICES REALLY BE?
Workshop on BDS for small enterprise development, 29 September to 1 October 1998
Harare, Zimbabwe**

Annex I: Agenda

Tuesday, 29 September:

Moderators for the morning: Mr. Kimanthi Mutua (Managing Director, K-REP Kenya) and Mr. Richard Boulter, (DFID Central Africa)

8:15-9:00 *Plenary:* **Opening**¹²
Presenters: *The work of DFID*, by Mr. Peter Rundell, Deputy Head, DFID Central Africa
The role of the ILO by Jane Hodges, on behalf of Mr. Peter Peek, Director, ILO/SAMAT Harare
The work of the Donor Committee for SED, by Mr. William Steel, World Bank, and Co-Chair, Committee of Donor Agencies for Small Enterprise Development

9:00-10:30 *Plenary:* **Business Development Services – The context**
Presenters: *Preliminary BDS Guidelines and current thinking*, by Mr. Alan Gibson, Director, Springfield Centre for Business in Development and Workshop co-Director
Research and innovation in BDS: A brief overview of the FIT Programme: by Mr. Jim Tanburn, FIT Coordinator, ILO International Small Enterprise Programme and Workshop co-Director
The aims of this Workshop, by Ms. Anne-Marie Chidzero, Director, International Capital Corporation, and Workshop co-Director

11:00-12:30 *Plenary* **Training and Counseling**
Presenters: *Enterprise Support Services for Africa, (ESSA) Ghana:*
Commentary by Mr. Mark Ampah, Project Manager, ESSA
The Empretec Ghana Foundation: Developing a broad product portfolio organisation: Commentary by Mr. Kwabena Dankyi Darfoor (Empretec-Ghana)
Additional comments by Mr. Alan Gibson, author

Moderators for the afternoon: Mr. James Kallibala, Chair, Uganda Small Scale Industries Association, and MD, Avo ltd., and Dr. Maurice Allal, Head, Small Enterprise Development, ILO Geneva

14:00-15:30 *Plenary:* **Training and Counseling** (cont.)
Presenters: *The Kenya Management Assistance Programme (K-MAP):*
Innovative delivery of counselling and training: Commentary by Mr. Victor Pratt, Chairman, K-MAP, Kenya

¹² French-English and English-French Interpreters throughout the Workshop: Papa Malick Fall and James Jijide

Additional comments by Mr. Rob Hitchins, Springfield Centre, author

Training goes to market: Commentary by Mr. Harun Baiya, SITE Kenya, and Mr. Alan Spybey, Akili Kenya

16:00-17:15 *Break-outs:* **Discussions in smaller groups**

17:15-17:30 *Plenary:* **Summary comments on the first day**
Workshop co-Directors

Wednesday, 30 September

Moderators for the morning: Ms. Nesizwa Jordan, Just Exchange, Capetown, South Africa and Mr. Tony Polatajko, DFID Pretoria

08:00-09:30 *Plenary:* **Training and Counseling** (cont.)
Presenters: *Sustainable training through grassroots training businesses in Uganda* by Messrs. Enoth Mbeine and Gavin Anderson (FIT Uganda)
The Start and Improve Your Business Programme in Eastern and Southern Africa by Mr. Joni Musabayana, CTA, SYB Harare

09:30-10:15 *Plenary:* **Business linkages**
Presenters: *The Manicaland Business Linkages Project*: Commentary by Mr Edward Kukora, Project Manager
Additional comments by Mr. John Grierson and Dr. Don Mead, authors

10:45-11:45 *Plenary:* **Information for MSEs**
Presenters: *Experiences du système d'information de FITNET Benin*: par M. Abdou Oeni, Coordinateur National, FITNET Benin
Experiences of FIT Kenya: by Mrs. Margaret Masbayi, National Coordinator, FIT Kenya

11:45-12:30 *Plenary:* **Technology**
Presenter: *ApproTEC Kenya: Developing Technology-Based Business Opportunities*: Commentary by Dr. Martin Fisher, ApproTEC

Moderators for the afternoon Mrs. Dr. Esther Ocloo, Sustainable End of Hunger Foundation / Nkulenu Industries, and Ms. Gabriele Trah, Head, SED, GTZ

14:00-15:30 *Plenary:* **Marketing**
Presenters: *AMKA Tanzania: Export market development services for SMEs*: Commentary by Mr. Stephen Matee, AMKA Tanzania
ZIWA Designs: by Ms. Mary Onyango, MD, Ziwa Designs

16:00-17:15 *Break-outs:* **Discussions in smaller groups**

17:15-17:30 *Plenary:* **Concluding comments for the second day**

Workshop co-Directors

17:30-18:30 *Papers just received:* **Individual presentations**

How small enterprises can be reached through strengthening the Zimbabwe National Chamber of Commerce as a private service provider, by Dr. Andrea Cilloni, ZNCC/Italian Cooperation

Provision of sustainable services to MSEs: The experience of FIT Ghana, by Robert Nsiah, FITNET Ghana Ltd.

Other papers, by participants

Thursday, 1 October

Moderators for the morning: Mr. Alan Kyerematen, Director, Enterprise Africa, and Ms. Irina Astrakhan, Economist, Private Sector Development, Small Enterprise Group, World Bank

8:00-10:00 *Plenary:* **BDS Delivery and Organisations**

Presenters: *CEFE Network Project for Micro Enterprises in South Africa: A critical look at networking, moving towards sustainability and survival, by Mr. Deepak Adikary, CEFE South Africa/GTZ*
ISTARN: An experimental approach to informal sector business support in Zimbabwe, Mr. David Hancock (GTZ/ISTARN)

10:30-12:30 *Break-out:* **Discussions in smaller groups**

Moderator for the afternoon: Mr. David Spence, DFID London

14:00-15:30 *Plenary:* **The Future Agenda for BDS**

Overview and reflections by Workshop co-Directors
Comments on the Rio Conference, Mr. William Steel.
Discussion

16:00-17:30 *Plenary:* **The Future Agenda for BDS** (cont.)

Discussion

17:30 *Plenary:* **Concluding Remarks**

Workshop co-Directors, Sponsors

Annex II: Table summarising key data from the case studies

Organisation	Service ⁱ	Sustainability of			Scale ⁱⁱ	Outreach ⁱⁱⁱ	No. staff	Est.
		Service ^{iv}	Provider ^v	Enterprise ^{vi}				
Guideline		50-100%		80% after 1 yr				
ESSA Ghana	Cnsy	55%	33%		29 (employing 2,000+)	Size: > 6 employees & 7%	4 ^{vii}	1996
	Tng	84%						
Empretec Ghana Foundation (EGF)	Tng	74-200+ ^{viii}			c. 150 'core' clients (c. 4,000 employees)	Ave. 20-30 employees, \$40-400K assets. & 33%	66	1990
	Cing	<20%						
	Cnsy	50%						
K-MAP	Cing		c. 50% ^{ix}	94% after 2 yrs	1,100	& 40%	22	1986
	Tng	390% ^x			5,500	60% have income >\$3,500 pm		
SITE	Tng	75%	25%		420 owners, 1,700 apprentices	1-2 employees Ave. turnover \$400 pm	13	1996
Akili	Mkg	15%			150	Ave. income \$425 pm & 29%	8	1996
	Tng	3%						
FIT Uganda	Tng	33-100% ^{xi}			500 MSEs, via 12 private trainers		2 ^{xii}	1998
	BT	50-100+ %			60 MSEs			
Start Your Business	Tng			80% after 6 mos ^{xiii}	610			1996
MBLP	Lkges			99% after 21 months	138 (linkages created)			1996

Organisation	Service	Sustainability of			Scale	Outreach	No. staff	Est.
		Service	Provider	Enterprise				
FIT Benin	Info	30%					2	1997
ApproTEC	Tech	0-53%	8%	70% of presses still in use?	700 oil presses, 2,500 pumps sold	Manufacturers: <6 employees Users: farmers with 2 acres	40+	1991
AMKA	Mkg		7% ^{xiv}		18 suppliers 18 export buyers		2	1994
ZIWA	Mkg	130+%			58 MSE suppliers	<6 employees Ave. income \$50pm & low	2	1997
CEFE	Tng/ NW				2,000 MSEs via 6 NGOs	NGO clients: >60% employ 1-2 people & 67%		1994
ISTARN	Tng				150 apprentices p.a.			1995
	Cing				287 MSEs 90 MSE advisors 15 advisor trainers			

ⁱ Cnsy = Consultancy, Tng = Training, Cing = counselling, Mkg = Marketing, BT = Business Tours, Lkges = Linkages, Info = Information services, Tech = Technology; NW = Networks

ⁱⁱ Number of clients

ⁱⁱⁱ Defined here as the extent to which BDS provision has reached people who would have difficulty in accessing commercially-provided support services

^{iv} % recovery of direct costs

^v % recovery of total costs

^{vi} Survival rate

^{vii} ESSA delivers services through contractors, not with own staff (whereas Empretec Ghana, for example, uses its own staff to deliver services)

^{viii} Includes some income from sponsoring organisations such as banks, so the lower figure probably relates most closely to income generated from SMEs themselves.

^{ix} This figure may include donor income, earned through the commercial provision of training products (RH?)

^x Includes donor income provided to strengthen the organisation, on condition that the training course was delivered; no separate figures were given on revenues generated from SME clients

^{xi} For training provided by MSE trainers, who had themselves been trained by FIT Uganda. Figures are not provided for the costs of training those trainers (income generated: \$500).

^{xii} FIT Uganda delivers services through contractors and joint ventures with local partners.

^{xiii} 80% after one year, globally.

^{xiv} 40% when income earned through consultancy work etc. is included

Annex III: Suggested BDS Web sites

ENTERWeb at www.enterweb.org has a series of useful links to other websites and is an ideal starting point for an exploration of SED on the web.

The Donor Committee on Small Enterprise Development has a website at www.sedonors.org where you can access copies of Business Development Services for SMEs: a guideline for donor-funded interventions, and of course copies of all of the Papers relating to the Harare BDS Workshop.

The Microenterprise Innovation Project (MIP) funded by USAID has a website at www.mip.org focusing on microenterprise development, finance, policy and impact. The Microenterprise Best Practice Project (MBP) on that server, at www.mip.org/pubs/pubs-def.htm, contains several useful SED papers (see also below).

ID21 at www.id21.org or www.ids.ac.uk/id21, hosted by the Institute of Development Studies, and supported by DFID, is a search engine that allows you to browse through a database of development research publications.

The Small Business Administration of the government of the United States, at www.sba.gov, has a wealth of resources.

On marketing and markets, www.openair.org is worth a visit.

Specifically Africa

To follow up on the individual Papers presented at the Harare Workshop, you can visit the following:

- Enterprise Support Services for Africa: <http://www.ifc.org/abn/essa/essa.htm>
- Empretec Ghana is mentioned at <http://www.webstar.com.gh/Government/NGOs> while the overall programme is described at www.unicc.org/unctad/en/techcop/invt0103.htm. A search for Empretec also reveals a wealth of Latin American experience with related concepts.
- Training goes to market: www.mip.org
- FIT:
http://www.ilo.org/dyn/empent/empent.portal?p_docid=FITHEAD&p_prog=S&p_subprog=BD
- Start and Improve Your Business:
http://www.ilo.org/dyn/empent/empent.portal?p_docid=SIYBHEAD&p_prog=S&p_subprog=BD
- Manicaland Business Linkages, and NORAD's work in Zimbabwe more generally:
www.norad.no/eng/country/africa/zi-aid.html
- The CEFE Network Project: www.gtz.de/cefe/index.html

For a good national site in sub-Saharan Africa, try www.bizsa.com

Finally,

if you are interested in approaches to 'best practice', benchmarking etc., try www.knowledgespace.com to see how Arthur Andersen have increased their revenues every year for the last 85 years...

Annex IV – Abbreviations used

APDF	African Project Development Facility (IFC)
ApproTEC	Appropriate Technologies for Enterprise Creation (Kenyan NGO)
CZI	Confederation of Zimbabwe Industries
DFID	Department for International Development, Government of the United Kingdom (previously the ODA)
EGF	Empretec Ghana Foundation
ESSA	Enterprise Support Services for Africa (CIDA/IFC project in Ghana)
FIT	Action research project implemented by ILO and Tool, with funding from the Government of the Netherlands (now expanding to other countries with other sponsors)
GIMPA	Ghana Institute of Management and Public Administration
IFC	International Finance Corporation
ISTARN	Informal Sector Training and Resource Network, Zimbabwe (Ministry of Higher Education and Technology / GTZ)
K-MAP	Kenya Management Assistance Programme (NGO)
MBLP	Manicaland Business Linkages Project (CZI /NORAD)
MIS	Management Information Systems
MSEs	micro and small enterprises
SMEs	small and medium enterprises
SYB	Start Your Business (ILO/SIDA)