

The Business Development Center Approach of Swisscontact in Peru

Paper presented by H. Hagnauer at the Rio Conference of the Interamerican Development Bank

Rio de Janeiro 4.– 5.3. 1999

H. Hagnauer, Cecilia Rivera, José A. Valcárcel

INDEX

A. THE CONCEPTUAL FRAMEWORK.....	1
1. INTRODUCTION	1
2. IMPORTANCE OF BDS.....	1
3. SWISSCONTACT: THE BUSINESS CENTER APPROACH.....	2
3.1. INTRODUCTION AND CONTEXT	2
3.2. THE SERVICES.....	3
3.3. THE CLIENT BASE.....	4
3.4. THE BDS PROVIDERS AND BDC OPERATORS	5
3.5. FINANCIAL SUSTAINABILITY	5
<u>3.5.1. The importance of economic feasibility</u>	5
<u>3.5.2. The financial support mechanism</u>	6
3.6. INSTITUTIONAL DEVELOPMENT.....	6
3.7. IMPACT	7
<u>3.7.1. Levels of intervention</u>	8
<u>3.7.2. Where/how do we intervene – Where/what do we measure</u>	8
<u>3.7.3. Instruments</u>	9
B. HOW THE APPROACH WORKS IN PRACTICE IN PERU	11
1. INTRODUCTION	11
1.1. SELECTION PROCESS	13
1.2. CONTENTS OF THE TENDER – OFFERED SUPPORT.....	14
1.3. SERVICES.....	14
<u>1.3.1. BDC Mercadeando</u>	15
<u>1.3.2. BDC Servicepi</u>	16
<u>1.3.3. BDC Micentro</u>	17
<u>1.3.4. BDC IDESI Huacho</u>	18
1.4. EVOLUTION OF SUPPORTED BDCs	19
1.5. TECHNICAL ASSISTANCE AND INSTITUTIONAL DEVELOPMENT	19
<u>1.5.1. Staffing and Internal Organization</u>	19
<u>1.5.2. Relationship with operators</u>	20
1.6. MONITORING SYSTEM.....	22
<u>1.6.1. The features of the system</u>	22
<u>1.6.2. How does the monitoring system operate?</u>	22
<u>1.6.3. Information obtained through the monitoring system</u>	24
2. DISCUSSION AND CONCLUSIONS.....	25
3. ISSUES FOR FURTHER DISCUSSION	27
3.1. RATIONALE FOR INVESTING IN PRIVATE SECTOR:	27
3.2. REACHING MICRO ENTERPRISE CUSTOMERS.....	27
3.3. LIMITATION OF BDC ACTIVITIES	28
3.4. NEED FOR FURTHER RESEARCH.....	28

The Business Development Center Approach of Swisscontact in Peru

H. Hagnauer, Cecilia Rivera, José A. Valcárcel

A. The conceptual Framework

1. Introduction

Since its foundation in 1959 Swisscontact is convinced of the crucial role of private sector in economic development. The founders of Swisscontact were personalities from well known enterprises of the Swiss industry. In their opinion private initiative has to be the engine of developing an economy. Accordingly, support from outside, such as international cooperation can only support institutions providing services for private actors. Training is one of the major instruments for improving the quality of such services and by this the resources involved in the process.

Swisscontact is operating in approximately 25 countries in Latin America, Eastern Europe, Africa and Asia. It implements a variety of different types of intervention in these countries united by three strategic priorities: professional/vocational training, environmental protection and small enterprise development. Similarly, its projects are all underpinned by a comprehensive approach to development and consequently interventions seek to induce changes at a macro-level (national, policy and regulatory level); meso-level (intermediary service delivery institutions) and micro-level (business performance).

Swisscontact consequently followed this rationale by setting up vocational training institutions in several Developing Countries in the sixties and seventies. In the eighties the number of trainees taking up a career as entrepreneur had grown. Therefore, supplying services for developing their businesses became a second area of activity. First experience was gained through providing direct consulting services to small enterprises to solve their technical problems. In the nineties the approach was changed to focusing on the meso level by supporting institutions supplying services to small enterprises. At the same time the technical production oriented services were complemented with administrative, managerial and entrepreneurial services, as well as supporting financial services.

Lately the tendency is towards development of the market of Business Development Services (BDS), in the sense that intervention strategies focus on improvement of BDS supply, increasing effective demand for BDS and also contribute to market transparency and to a lesser extent market regulation (or service certification).

2. Importance of BDS

During a long period of time many developing countries have protected their industrial sectors indirectly through overvalued currencies and directly by import taxes or non-tariff measures such as licenses, import restrictions etc. All these measures discriminated the agricultural sector – generally, the most important economic sector in these countries. The resulting disincentive for agricultural production reinforced migration to the urban areas. The industrial protection was mainly oriented towards the large, often state owned industries. At the same time a lot of bureaucratic barriers hampered the development of small-scale enterprises. People migrating from rural areas added to the fast growing urban population who started establishing micro and small enterprises without any control or registration. This led to the so called informal sector, precisely analyzed by the well known De Soto theses. As a consequence the resulting industrial structure could be characterized by few inefficient large state owned enterprises often with monopolistic positions and a large (in general unknown)

number of informal micro and small enterprises competing with each other at a rather low technical level.

WTO and the related tendency of globalization have externally changed the environment for small-scale enterprises in most Developing Countries. Internally, adjustment measures in the public sector have increased the number of people seeking employment in the informal sector. Lack of technological know how, over supply, lack of access to financial means, insufficient knowledge about marketing etc. are just a few problems of the steadily growing number of small entrepreneurs in the informal sector. For many Governments it was not easy to quickly improve the conditions for small-scale enterprises, since this includes a lot of adjustments in legislation and tax and custom systems. As a consequence, most of the micro and small-scale enterprises are confronted with imported products of higher quality and little improvements in their socio-economic environment.

In order to overcome this difficult situation a combination of several measures is needed. First of all Governments have to accelerate their reforms in order to create advantageous conditions for the private sector (decentralization, acceleration and reduction of bureaucratic procedures, providing necessary infrastructure, tax reforms etc.). Private enterprises have to seek for new forms of collaboration with each other, especially coalitions between large enterprises and well organized groups of small enterprises have to be developed in order to reach economies of scale. Last but not least, the supply of Business Development Services, including the training for entrepreneurs how to access and make use of them, have to be developed further. In this process of improvement of BDS delivery, international cooperation can play an important role. Such services have to be supplied demand-driven and under a competitive environment. They should include financial, non-financial and technical aspects. The final objective of this process has to consist in improving the competitiveness of the clients, this is the small enterprises. It is very obvious that only a part of the actually existing number of small and especially micro enterprises will be able to grow or at least survive. A good and adapted supply of BDS should help to empower the best of them with the necessary tools for their long-term existence. However, BDS can only be a contributing factor for economic development, the success of an enterprise depends on the entrepreneur himself at his own risk.

3. Swisscontact: The Business Center Approach

3.1. Introduction and context

In recent years Swisscontact has paid particular attention to one of the core problems concerned with promoting small enterprise development at the meso level: *how to develop institutions which can deliver a range of business development services to SME clients effectively and on a sustainable basis?*

Sustainability of intervention is a fundamental issue for all development agencies. It is also one where the experience of industrialized nations of the north is of limited relevance; here, the meso level of business support is based on a scale of state aid beyond the limited scope of most developing economies; is often distorted by a mixture of social, political and economic objectives; and is based around institutional structures emerging from different legal and cultural traditions. Moreover, conventional aid projects often appear to create aid dependent institutions whose main orientation is towards donors rather than clients. However, existing research does indicate clearly the key characteristics, which the most successful BDS organizations should possess, most important being:

- a business-like approach to management, product development and delivery
- a transactional, demand-led relationship with clients

In response to the problem of the meso level and the emerging international experience of best practice, Swisscontact has developed a distinctive and innovative approach to financing and developing intermediary institutions. This is not a service-specific methodology *per se* but rather is concerned with creating a framework of rules and a set of support instruments with the objective of institution development (“business centers”) capable of delivering a range of appropriate services in an effective and competitive manner. The approach is underpinned by a belief that:

- there exists a number of BDS providers with potential for growth
- market relationships offer the best opportunity for sustainable and effective BDS delivery
- markets for BDS for SMEs are currently underdeveloped or non-existing
- markets can be stimulated by the development of more effective BDS institutions (business centers, supply side intervention) and by increasing effective demand for BDS (promotion, training vouchers, fellowships for entrepreneurs, demand side intervention)

This business center approach was first developed in Swisscontact's work in some Latin American countries. More recently it has been refined significantly in Indonesia and Peru, providing a comprehensive approach and tools on how agencies can intervene to develop institutions, which are demand-led, business-like and which can offer effective services on a sustainable way to their clients.

3.2. The services

The business center approach to develop BDS institutions is not one which is based on specific types of services for SMEs. In Indonesia, for example, where six business centers have been supported, services include workshop diagnosis, specific technical skills training, technology advice and business administration services. These are usually sector specific business centers - such as metal, automotive products and tourism. In Peru, where Swisscontact is currently supporting 9 BDCs, a non-sector specific BDC offers marketing services to enterprises in sectors such as garments, agro-industry, carpentry, etc. In any case, the BDCs have to reach a level of specialization in response to demand, be it by type of service or sub-sector specific.

More important than the specific “what” of services are being offered by business centers is “how” they are offered. The business center approach encourages them to deliver services which:

- are carefully costed
- are responsive to the demand of clients, therefore focused and relevant
- evaluate BDS relevance and quality through pricing and income generating capacity
- concentrate on those services which generate the most gross profit
- optimize product mix for attracting and retaining clients

Inherent in this approach to BDS is that the institutional form of the BDS provider (the business center) is shaped by the nature of its relationship with funding agencies and that this, in turn, is instrumental in determining the nature of the services they offer to SMEs.

Institutional development and service delivery are, therefore, intrinsically connected. The instruments developed and used by Swisscontact tend to reduce this donor dominated influence on the nature of the BDC.

3.3. The client base

Clients of business centers are usually small to medium-sized enterprises. Smaller enterprises are less likely to be able to contribute substantially to cost recovery; larger enterprises offer more opportunity for business centers to meet their financial targets. In practice, this means that clients are from above the micro level. As a guideline, clients of business centers are expected to have a yearly turnover of \$50,000 to \$1.5m, a workforce of between 5 and 200 and assets (excluding land and buildings) of below \$0.5m. By no means will these criteria be used to accept or exclude clients from being attended by the BDCs, however a BDC might not receive incentives from Swisscontacts incentive scheme for all of its clients. This focus on formal sector SMEs (rather than those at a more micro and informal level) is also based on the view that these types of enterprises are a considerable source of dynamism and employment growth in successful competitive economies. In fact, they represent a vital link in the economic tissue and are essential for cluster growth.

Micro enterprises at subsistence level are attended by BDCs as long as a funding agency (government, donors) pays for a major portion or all of its costs. In fact this is an interesting client base for BDCs, however it has some inherent dangers:

- the BDC focuses its attention rather on the demands of the funding agencies and not on the needs of the entrepreneurs
- this client segment is unpredictable and instable in the medium term

Some business centers tend to work intensively with a relatively small number of clients. In Indonesia, client outreach targets are set for each business center (20 to 50 new clients per year). However, these are less important than financial targets. In the Peru experience no such limitations on number of clients are established. However, a BDC involved in marketing and subcontracting, by nature has an interest of developing a small base of SMEs with reliable product quality, rather than searching for large coverage (what might be more in the interest of donors!).

Most client SMEs are therefore not owned by the poor; the proportion of women clients varies from one business center to another. Swisscontact does try and gives priority to business centers which work with SMEs where there is a relatively good opportunity to integrate gender and environmental aspects in services. However, overall, the logic of the approach is not to impose overly-tight restrictions on who business centers may work with, but to let a more natural and dynamic market self-selection take place.

3.4. The BDS providers and BDC operators

In Peru as in most other countries there are a wide variety of BDS providers. At the lower end of the client size scale these tend to be dominated by NGOs supported by donor agencies or state institutions. Larger SMEs may find that commercial BDS providers such as individual consultants are offering competitive services. In addition, there are a variety of informal learning mechanisms in many business sectors - sometimes manifested in business associations - which might be effective mutually beneficial BDS providers.

The basic believe in selecting potential BDC operators is that they do know best their market and their capacity of BDS delivery. Therefore Swisscontact has opted to tender its support to BDC operators and chose among the most convincing proposals developed by interested BDC operators.

In selecting business centers to support, Swisscontact does seek to choose situations, where there appears to be a genuine gap in the market, as identified not by Swisscontact but by the interested BDC operator. Indeed, as part of the tender process, prospective business centers need to define who their competition is for each major service. In addition, the tender process for new business centers is open to any kind of organization - associations, private businesses, NGOs etc. - and deliberately builds on existing BDS institutions rather than creating a new entity. In Peru, however, this concept was narrowed down to “single ownership”, excluding therefore institutions, which themselves are a conglomerate of individual institutions. This step was taken in view to increase responsibility and accountability of the operators.

3.5. Financial sustainability

3.5.1. The importance of economic feasibility

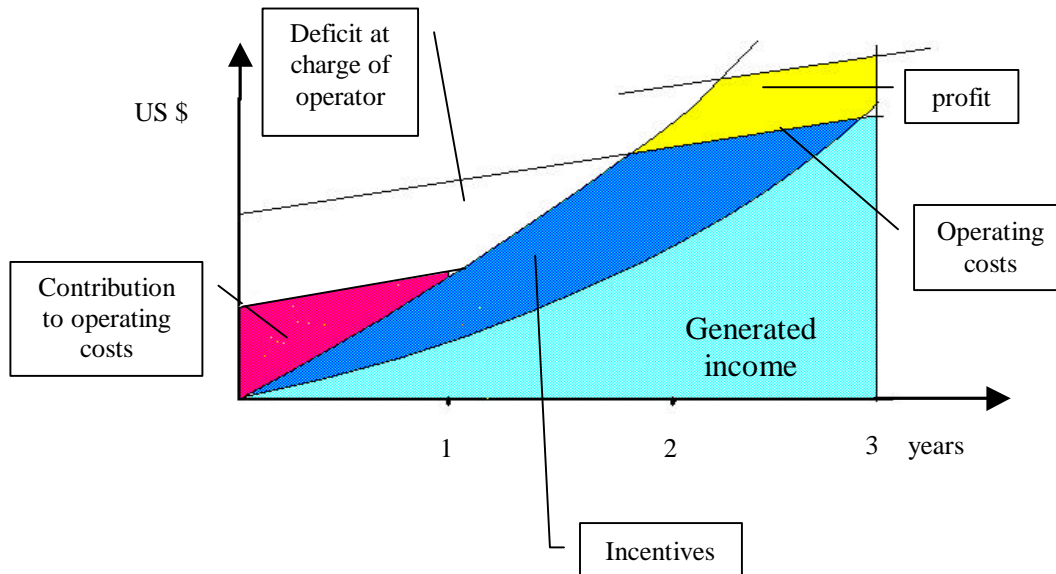
The entire process of institutional development of business centers is founded on transparency and accuracy in financial reporting. This allows detailed financial targets to be agreed for each business center, which are at the heart of the contract between it and Swisscontact. A number of key financial indicators are used to assess the performance of business centers, including:

- financial sustainability: this is the most important performance indicator; performance targets are set against it and it is the basis for Swisscontact financial support. Current targets to release the full Swisscontact payment require that business centers achieve 100% self-financing within 2 – 3 years.
- the efficiency of delivering different business center services (inputs per client)
- the efficiency of delivering different services (inputs against deliverable outputs)
- the gross margin contribution of different services

Each service in a business center portfolio is subject to cost breakdown (selling price, working hours, direct costs and gross margin) and provides an unusual level of detail for the analysis of services. It also assesses how the overarching institutional development approach provided through the contract between Swisscontact and each business center is translated into a cost-conscious approach to working.

3.5.2. The financial support mechanism

The following graph illustrates the basic relationship between costs, income, deficits and Swisscontact's financial support mechanism. In practice, a number of different variations and refinements are developed in Indonesia and in Peru.



3.6. Institutional development

The essence of the business center approach is the development of functional, market-based BDS institutions. Swisscontact has developed a relatively sophisticated and documented tool to implement this approach, which is based on a straightforward concept:

- the development of business-like institutions is encouraged by an immediate funding environment which simulates “real” market and business conditions
- BDCs have similar behavior as small enterprises with growth potential, i.e. they start small and grow according to their results. The financial support is closely tied to this evolution and is in strong contrast to other approaches which start with strong front end support and plan to reduce their input towards the end of the donor cooperation

In practice, the approach has a number of key features:

- ***Selection through a competitive tendering process:*** prospective operators of business centers bid against each other for the contract to set up business centers. At the heart of these proposals are detailed business plans and a financial commitment from the bidder, through sharing investment costs and assuming start-up and potential medium term deficits. This procedure implies the assumption that there are institutions with a certain level of organizational development and operational capacity and Swisscontact selects the ones with the most promising potential. Therefore the question of support for institutional development is relegated to a lower priority.

- ***No restriction on legal status:*** business centers have to be formal organizations able to provide services to the private sector, but otherwise have no other restriction on their legal form. In practice, they are NGOs or private businesses, capable to enter into legal contracts and issue official invoices.
- ***A contractual relationship:*** successful bidders enter into a detailed contractual relationship with Swisscontact specifying the responsibilities of each party
- ***Based around financial incentives:*** Swisscontact's financial support for business centers is based on agreed financial performance targets. Meeting these targets produces rewards; not meeting them results in penalties. The size of donor support needs to have a realistic correlation to the potential of income generation in the specific market. In Peru Swisscontacts total direct financial contribution per BDC for a five year period is approximately US \$ 100 000.-
- ***A strong emphasis on monthly financial reporting:*** this is required both for the incentive-system at the heart of the contract and to help business centers with their own internal planning, organization and information management.
- ***Non-financial support:*** in addition to the conditional financial support, Swisscontact offers non-financial support to business centers in the form of information, product development, staff training, market surveys, networking support. It is important to note that this support is based on the specific needs of each BDC and is only to a very limited scope a preventive institutional development effort. This technical assistance to BDCs is highly individualized due to the different development stages of each one of them. Therefore it can hardly be packaged as training programs for BDC operators and managers.
- ***Time-bound:*** financial support is limited in scale, phased throughout the period - during pre-operational, start-up and consolidation phases. In Peru Swisscontact operates a 2 phase support system, where during the first 3 years incentives are based on sales and in the second phase (2 years) the incentives are based on sales per target group and service quality.

This form of relationship has been instrumental in developing BDS providers with systems (especially financial) and human resources (motivations and skills - product specific and broader business) and strongly business-like in orientation.

3.7. Impact

As in any business situation, *bottom-line* indicators are most important in performance assessment. For each business center, performance against financial targets and clients' willingness to use and pay for services are taken as proxy measures of impact. The experience also shows in more depth the actual changes - both qualitative (changed approaches and strategies) and quantitative (primarily sales and employment) - brought about by services in client businesses and their attitudes to business centers as well as the extent of client outreach. From the donors point of view it is of interest to have a clear picture on the positive changes produced at enterprise level attributable to BDS. However for the BDC, as a service enterprise

this might not be of first priority. It is important to differentiate among those two positions, in order not to burden BDCs with costs and efforts which might not be in line with their entrepreneurial objectives.

3.7.1. Levels of intervention

It is important to differentiate impact at three levels:

Impact at the macro level: Impact can be measured through the effects of better performance of enterprises at the macro level economic indicators (sales, occupation). Some countries have also built indicators based on the investment in SME promotion and related to the income generation through taxes. These data may demonstrate the importance of the SME in the economy, and the positive effects of investment in the SME sector promotion.

Impact at the meso level: If a program has as its objective to improve the BDS market, as long as it promotes supply and demand, we can assume that any presence of a new supplier, who attends a certain demand, can in fact be considered an impact. So, for the interest of meso level actors, such as donors, performance against financial targets and clients willingness to use and pay for BDC services can be taken as a proxy measures of impact. In the same line of thinking, BDCs expect to intervene in the market, recruiting more entrepreneurs to become their clients as they want to be able to stay in the market as successful suppliers and to obtain profits.

Impact at the micro level: This is obviously the most ambitious objective: To affirm with certainty that donor intervention promoting BDCs and in general BDS, has developed positive changes in the entrepreneurs, in their companies manifested for example in economic results and employment figures. Again at this level we can see different areas where impact can be measured: In services such as training, some specialists affirm that the real impact is the change or changes obtained in the person and his/her attitude. As the subject of the intervention is the person, this affirmation looks coherent. It's also true that the person, who has changed, is assumed to use the new knowledge, information or attitude to improve his/her enterprise management. Otherwise, the objectives may not be reached. So it may be important to identify the changes produced at the enterprise, for example in cost managing, production processes, marketing, etc. Last but not least, we may affirm that these changes produced in the enterprise, earlier or later, must result in more income and profit. So final impact is necessarily identified as income or profit.

In all cases, it is important to analyze cost – benefit of the measuring, so we can show a healthy proportion between investment in the project and investment in the impact measurement. It's also important to define who may finance the measuring. Those interested in impact measuring, are the ones called to finance it. This, in order to avoid burdening BDCs with costs and efforts that might not be in line with their entrepreneurial objectives and strategies.

3.7.2. Where/how do we intervene – Where/what do we measure

Furthermore, it's important to consider the point where we have intervened, and the point where we are measuring. The “larger” the distance between these two points, the higher the risk that the result may be distorted by external factors. As we promote BDCs, we can measure with no risk the effects of our intervention in the developing and sustainability of a new actor in the market: the center, but we will have more difficulties to relate this intervention with, for example, a client's 20% increase of sales. This is especially important

because enterprises are very dynamic actors, in permanent movement and in permanent relation with so many factors. This condition represents a challenge for isolating effects of the BDC intervention from other influencing elements. An example from a BDC is known that has served a client, who has lost 10% one month after taking the service. In this case, impact may look negative, but maybe without the service provided by the BDC, the company might have lost 25%. But just maybe.

It's also true that before thinking about impact measurement we must look first for the kind of services a BDC is providing, and the possibility to collect the required data. In effect, BDCs offer several kinds of services. Some of them, as technical assistance, are very specific and are provided over a longer period of time. This service usually begins with an assessment of the current situation, in which the consultant gathers data related to the situation of the company. In this case, it's easier to have impact indicators, comparing the same company before and after the service. But in services such as training or advising, the relation with the entrepreneur uses to be more superficial, short in time and without opportunity to aggregate data. In these cases, especially when the entrepreneur is an eventual client, it's very difficult to generate impact indicators, especially at economic level.

3.7.3. Instruments

As we can see, there are different interests, and in most of the cases, the criterion about what to measure is different too depending who orders the measurement. Not in all the cases it is possible to prove absolutely these cause-effect relations with a reasonable accuracy margin and under reasonable cost conditions.

At the macro level, it is obvious that we will need econometric models, which will contribute in some way to reduce the distance between the micro enterprise productivity and the macro economic indicators.

The meso level, where Swisscontact has concentrated during the last years, following BDC performance, can give us clear results in the principal indicators: incomes, costs, number of clients attended, profits, self-sustainability. This may indicate, if we are on track to consolidate healthy and strong actors in the BDS market.

The behavior of the indicators at this level also explains indirectly, if we are reaching impact at the micro level, because the entrepreneur's willingness to use and pay for services is reflecting the importance and utility of these services from his/her own point of view and benefit. We strongly think that entrepreneurs will not pay market prices for services, if they don't find them useful.

However, Swisscontact's monitoring system includes a limited number of surveys to clients, asking about satisfaction and utility of the services.

In spite of our interest in keeping our measuring at the meso level, we agree that it may be very interesting to obtain information at the entrepreneurs level. In this case, we are not thinking in traditional methodology, which compares behavior of groups with and without services provided. This is a typical case where we think that there are too many external factors bearing on the results, so it is very difficult to isolate cause - effects of the BDC intervention. Cost criterion is also a weakness of this proposal.

For 1999 we are proposing to develop a questionnaire, and apply it to the clients of BDCs some months after the service. This survey may ask for client's opinion, asking them how (if it has happened) the new knowledge, information or technology has been applied in the company, and what benefits (if there are) has the company obtained with these changes. Can the client identify a cost reduction, increase of sales, better financial management, increase of productivity after the application of new knowledge? What process in production or management has been improved? Finally the managers of the BDCs themselves will be most interested in getting access to this information, as they can learn more about satisfaction and the benefits their clients may get out of their services.

B. How the approach works in practice in Peru

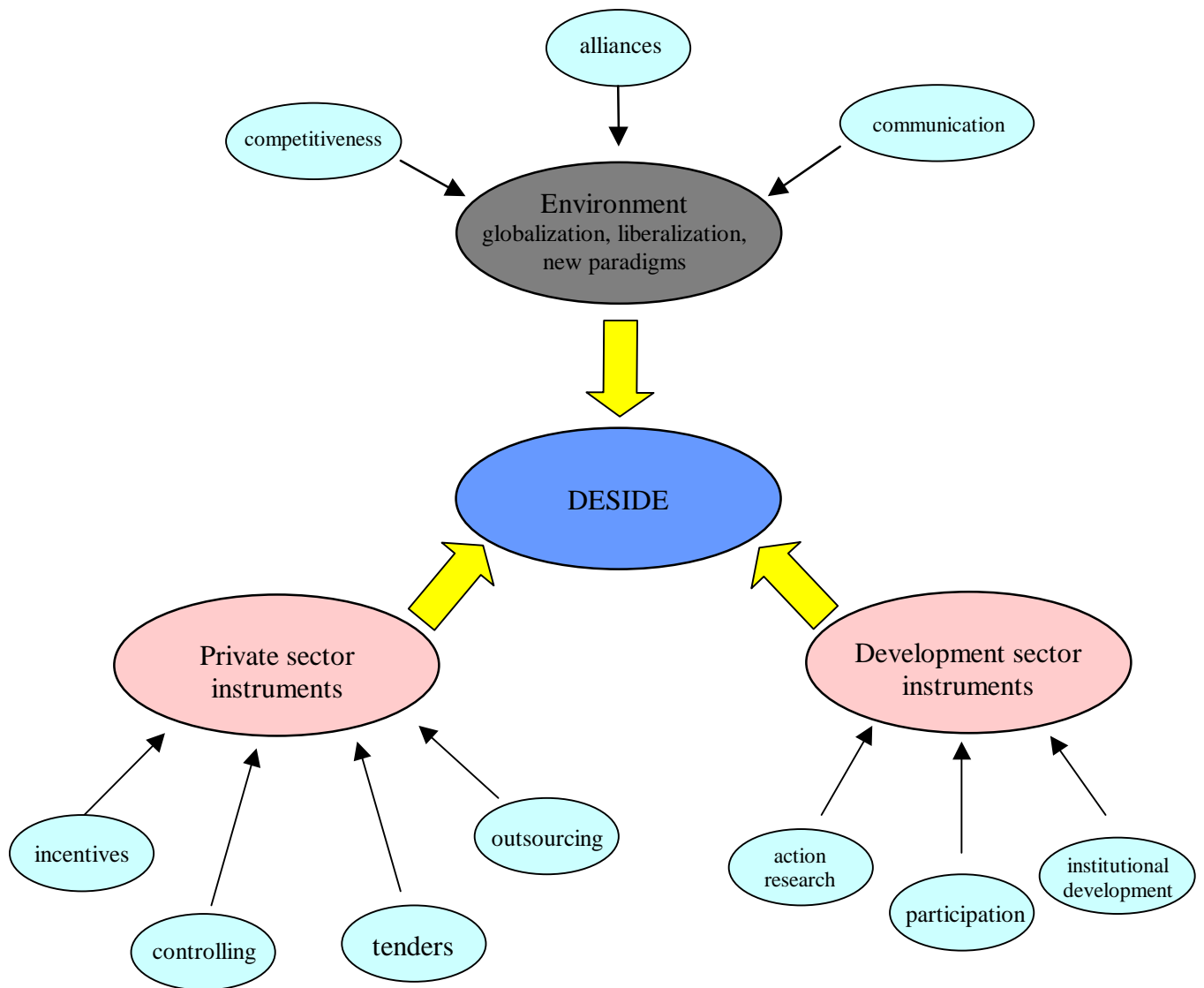
1. Introduction

During 1994 the Swiss Development Cooperation (SDC) started to prepare a SME promotion program in Peru with the objective to stimulate and/or improve the BDS market in Peru. The main level of SDC intervention would be at meso level, with a partial support at macro level, to support deregulation and develop policy proposals for SME promotion. By end of 1994 SDC contracts Swisscontact for the implementation of the program known in Peru under the name DESIDE, which as of today consists of following main strategic fields of intervention:

Level	Strategic fields of intervention
Macro level	<ul style="list-style-type: none"> • support the improvement of environmental management capacity of the Ministry of Industry • develop pilot experiences in the field of local economic development and regional competitiveness • participate in inter-institutional coordination (donors, government, private sector)
Upper Meso level	<ul style="list-style-type: none"> • develop and introduce improved methodologies for SME training and consultancy • develop monitoring instruments for assessing performance of SME promotion programs • conduct BDS market research and provide relevant information to market actors
Lower Meso level	<ul style="list-style-type: none"> • promote the establishment of sustainable BDCs • develop, test and replicate BDC model

In the early stages of program design we sought to combine elements from the world of cooperation agencies and from the private sector to be as much as possible in tune with the present Peruvian environment, which is strongly influenced by the concepts of liberalization and globalization.

The following graph shows this attempt.



The experience with BDCs in Peru demonstrates very clearly where and how these elements could be combined in a SME promotion program.

1.1. Selection process

As in any tendering process the tender documents have to be elaborated and together with this the evaluation instruments and selection criteria. Secondly Swisscontact defines the tender procedures, is it upon invitation, public announcement, is it a one step procedure or is there a pre qualification procedure, etc.

In Peru we have so far conducted 2 tenders, one in 1995 and one in 1997, the results for 1997 are as follows:

Once a public announcement in 2 news papers with nationwide circulation	
Tender documents sold at @ US\$ 20.-	99
Documents received for pre-qualification	44
Pre-qualified institutions	18
Proposals selected for funding	4

Only interested operators from outside Lima were invited to participate in this tender.

In the following table we show the breakdown of the 44 participating institutions by their legal nature:

Type of institution	Presented documents	Prequalified	Selected
NGOs	22	12	3
Consulting firms	14	4	1
Trade associations	3		
Universities	3		
Government programs	2	2	
Total	44	18	4

It is noteworthy that hardly no trade association nor Chambers of Trade and Industry have participated in the process, probably due to their knowledge about Swisscontacts strong emphasis on income generating and self-financing.

1.2. Contents of the tender – offered support

The last tender conducted in Peru had as its main characteristics :

Location	Outside Lima Metropolitana
Ownership	Single owner as operator
Self-financing	Self-financing to be reached within 3 years, income generation is sought from the start and Swisscontacts contribution is limited in time
Co-investment and incentives	Co-investment at all times, for initial investment as well as for operating costs (up 50 %)
Financial contributions	Up to US \$ 60 000.- for 3 years, wherefrom 5 000.- for initial investment and up to 10 000.- as contribution to operating costs during the first 12 months
Non-financial support	Technical assistance and staff training for BDCs on a demand basis and outside the above amounts
Performance Information	BDCs have to provide performance information as per schedule and formats established by Swisscontact

The main criteria for evaluating the proposals were centered on knowledge of the targeted market segment and proposed services, delivery capacity, economic performance and quality of human resources.

From the tendering process each BDC has a full fledged Business Plan, which is the basis for monitoring mainly the financial performance. As the financial support system needs up-to-date information, monitoring is built around this key indicator. Peru has probably the most advanced monitoring system covering not only financial aspects, but also information on market segments and sector related information.

1.3. Services

After the selection process the question now is what are the main products and how does the product mix of the BDCs look like. In this respect Swisscontact has learned to be extremely flexible as most of the presented project proposals overestimated the number of services the BDC was going to offer and most of the services were described in a generic way. In reality the BDCs quickly generated very specialized services as described as examples below:

1.3.1. BDC Mercadeando

BDC Mercadeando specializes in marketing training and consultancy. They offer very general seminars, in marketing for SME specialized training courses and partly recruit through these events SME clients, whom they offer their marketing consultancy services. One of their products is described in more detail.

Product: Bull Sales

Clients need	increase sales level		
Description of the service	1. internal and external diagnosis 2. exploration of solutions 3. elaborate proposals for improvements for short, medium and long term		
Final product	tailor made marketing strategies, which are immediately applicable		
Benefits for the client	40 % increase in sales within 30 days, (up to 600 % increase in 90 days were obtained in one case)		
Human resources needed	client training	junior consultant	1 hour
	Analysis	junior consultant	2 hours
	Exploration of solutions	junior and senior consultant	1 hour
	proposal for changes	junior consultant	1 hour
	dialog with client	senior consultant	1 hour
Financial analysis of the service	Price: 5 hrs @ \$ 25.- Cost 6hrs@ \$ 13.45.- Gross margin, US\$ utility, %		US\$ 125.- 80.70 44.30 54.9

General characteristics:

- systematized and well defined service package
- the participatory methodology used, improves self-esteem of entrepreneurs, what gives very good results with female entrepreneurs
- the entrepreneur is involved in the improvement process
- operational tasks are transferred to the entrepreneurs and his staff, what reduces the investment of consultancy resources
- during 1998 500 hrs. consultancy service was sold in Peru and 300 hrs. in Bolivia
- target for 1999 is to sell 1500 hrs. consultancy services
- the product is sold to entrepreneurs as well as to second tier institutions
- 10 % discount is given on large sales volumes
- no product competition in other Latin-American countries

Staffing: manager, junior consultant, secretary, 1 associated consultant

1.3.2. BDC Servicepi

BDC Servicepi has developed since its inception a specialized subcontracting service, where the BDC participates in tenders from large companies and government institutions for office uniforms and working cloths. Once Servicepi wins a tender they organize a number of SMEs to produce and fulfill the contract.

Product: Market Articulation

Clients (SME) need	increase sales level
Description of the service	<ol style="list-style-type: none"> 1. identification and participation in tenders from private enterprises and public institutions 2. preparation of samples 3. price negotiations with providers 4. elaboration and presentation of tender documents and other requirements (samples, bank guarantees, etc.) 5. negotiation and signature of contract 6. searching access to working capital
Final product	SME increases his production and sales
Benefits for the client	increase of production levels sales increases product improvement up to purchasers requirements access to working capital relationship with new clients
Human resources needed	1 st phase: preparation of tender documents, including legal and financial requirements 2 nd phase: production planning, quality control, consolidation of production and final delivery to purchaser
Financial analysis of the service	97 % of price is passed on to SME, 3 % is retained as articulation and service fee

General characteristics:

- systematized and well defined service package for attention of local and foreign buyers
- sales as per effective demand

The BDC Servicepi has 4 well defined products:

1. market articulation
2. technical and managerial training
3. technical assistance for SME in the garments sub-sector
4. training for pre and young entrepreneurs

Staffing: The manager is the main consultant. She works with 4 associated consultants.

1.3.3. BDC Micentro

This BDC is located in Gamarra, Lima, where there are about 14 000 enterprises belonging to the textile and garments sub-sector. MICENTRO therefore has concentrated its services in technical assistance and training for this sub-sector.

Product: Elaboration of a fashion collection

Clients need	obtain garments design, which are in line with market demand		
Description of the service	<p>Together with the entrepreneurs following steps are completed:</p> <ol style="list-style-type: none"> 1. analysis is made of the color trends for collections for men, women and children 2. proposals for combinations of colors and textiles are elaborated 3. 6 final designs are drawn 4. technical description is prepared 5. patterns for each design and size 6. one finished sample is produced 		
Final product	<ul style="list-style-type: none"> • up date on the trends on local and international market • a collection consisting of 6 designs with corresponding patterns 		
Benefits for the client	<p>increase in sales</p> <p>new/up-dated product line improves sales</p>		
Human resources needed	1 st phase	senior designer for trend analysis	
	2 nd phase	senior and junior designer for collection development	
	time requirement	40 hours	
Financial analysis of the service	Total charge, US\$		190.00
	Direct cost		148.00
	Gross margin, US\$		62.00
	Utility %		42.9

MICENTRO has 6 developed products:

- hands-on sewing training SISTEMAC
- design and pattern making DIPAIN
- fashion trends
- development of fashion collections
- technical assistance in production improvement
- technical assistance in quality control and production costs analysis

Staffing: manager, secretary and 5 permanently associated consultants

1.3.4. BDC IDESI Huacho

IDESI is an NGO network with 19 regional centers providing financial and non-financial services. In Huacho, a small town 140 km north of Lima, this BDC offers mainly training and coaching programs for 3 distinctive target groups, youth/pre-entrepreneurs, entrepreneurs and employed professionals.

Product: Quality in the service provision

Clients need	Improve quality in attention to clients Improve employee efficiency to reach client satisfaction		
Description of the service	1. definition of target market 2. Getting to know the client and his need 3. Evaluation/elaboration of product design according client need 4. presentation and discussion of proposals for improvement 5. Implementation of in-house training (15 hours)		
Final product	Higher service quality (measured according to pre-established indicators agreed with the SME client)		
Benefits for the client	Increase in recurrent clients higher sales clients identify themselves with the enterprise		
Human resources needed	1 st phase	senior consultant junior consultant	clients need and environment
	2 nd phase	senior consultant	implementation of training
Financial analysis of the service	Price, US \$		320.00
	Direct Cost		130.00
	Fixed cost		65.00
	Gross margin, US\$		125.00
	Utility, %		64.1

General characteristics

- well defined and systematized product
- tailor made product, annual sales : 3 services

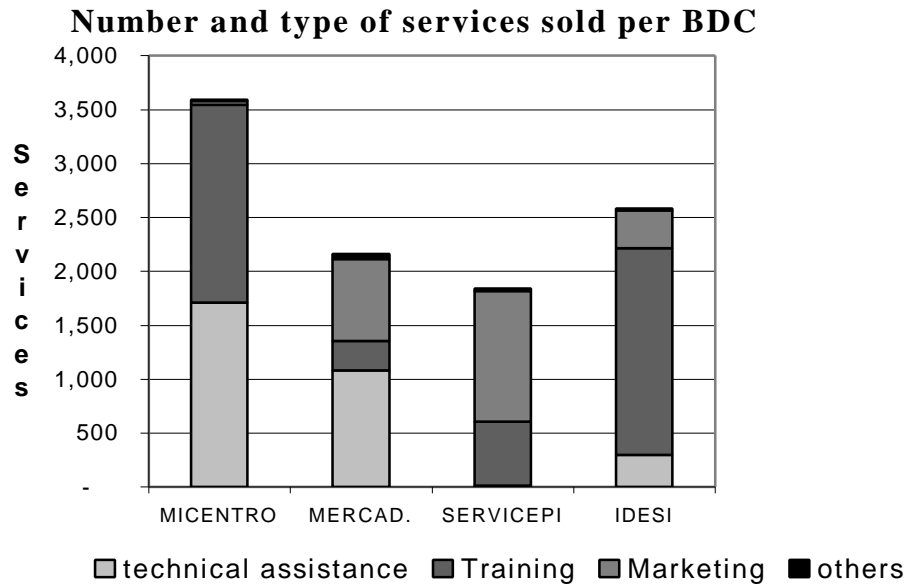
This BDC has 4 different products:

1. Quality in the service provision
2. Technicians for entrepreneurial marketing
3. Strategic planning
4. Excellency in secretarial support

Staffing: manager and 2 associated consultants

The graphic below shows the importance of the different type of services for each of the 4 BDCs during the year 1998.

1.4. Evolution of supported BDCs



In the table below the annual operating results for the BDCs started in 1996 are shown:

Name	Opening	1996			1997			1998		
		income	costs	%	income	costs	%	income	costs	%
First family										
IDESI HUACHO	02/01/96	6 349	19 193	33%	42 735	58 474	73%	34 298	53 079	65%
MERCADEANDO	02/01/96	16 491	31 033	53%	41 759	41 481	101%	64 566	54 568	107%
MICENTRO	02/01/96	14 515	29 675	49%	37 310	71 706	52%	12 453	25 943	43%
SERVICEPI	02/01/96	19 026	39 905	48%	464 177	332 908	139%	914 196	650 132	119%
PEMTTEC *	02/01/96	2 960	11 616	25%						
Total first family		59 341	131 422	45%	585 981	504 569	116%	1 025 513	783 722	131%

* PEMTEC finished activities in 1996

1.5. Technical assistance and institutional development

1.5.1. Staffing and Internal Organization

Typically BDCs have a manager, 2 associated consultants and one administrative staff. For specific contracts they will hire additional outside consultants. This way the BDC reduces fixed costs and allows them to rapidly respond to clients and market needs. This organizational form is typically for micro and small enterprises and the experience shows that the BDCs in Peru start with an institutional behavior similar to the one found in SMEs. Basic characteristics are, concentration of all main tasks on the manager, low level of delegation of tasks and responsibilities, lack of internal information management (costs, clients, productivity indicators, etc), and an accounting system oriented to satisfy tax requirements only. As the BDC managers play a vital role in shaping the success of the centers Swisscontact took more care and to some extent participation in the replacing and selection of poorly performing managers. However this is a very delicate issue and we try to handle it with utmost care.

In the first year of cooperation strong emphasis needs to be put on the BDC to introduce a minimum level of internal information management. This mainly relates to accounting (including some analytical indicators, see monitoring system below), cost calculation and consultant network.

The financial support mechanisms precisely puts a lot of pressure on the BDC to

- a) generate income, as if there is no income there will be no incentives from Swisscontact. Incentives are paid monthly and upon presentation of basic accounting information.
- b) forces the BDC to have up-to-date accounting information at hand.
- c) operational costs need to be kept at a minimal level, as only in the first 12 months a contribution to operating costs (not exceeding 50%) is paid by Swisscontact.

To absorb all this pressure Swisscontact offers non-financial technical assistance in the form of

- a) individual coaching by Swisscontact staff depending on the development stage of the BDC and its specific need. This also includes assistance in reengineering and restructuring of BDCs with poor performance.
- b) training and assistance in elaborating general and/or annual business plans.
- c) scholarships for human resource development (only on a cost sharing basis),
- d) networking with other BDCs, government institutions and other BDS providers.
- e) general promotion and publicity for BDCs and their services.
- f) external auditing services.
- g) On an individual basis Swisscontact discusses quarterly performance of the BDC with the operators and managers. From the monitoring system benchmark information on performance is made available to each BDC, what allows them to locate them within a competitive environment. BDCs who have a high rate of self-financing can apply for support to develop new or improve existing services, Again, this support covers only part of the cost.

Inhibiting factors for growth of BDCs are mainly related to human resources and the nature of the BDC product – a non-tangible good. On one hand the delivery of BDS are highly dependent on the skills of the consultants and on the other hand the client many time demands the service to be delivered by a specific consultant. As in small enterprises this means that the central person of the BDC, the manager, should be available for all the clients. BDCs develop three strategies to face this dilemma: first, they try to systematize services and train junior consultants in handling these services. Secondly they try to break down the service into some parts which have to be delivered by the senior consultant and others which can be dealt with by a more junior person. Thirdly, they seek and accept contracts for which they already have identified an outside consultant. Price differentiation between junior and senior consultants as a selling argument doesn't work under these circumstances. However in view of the need for cost reduction the BDCs are considering ways of optimizing the mix of senior and junior consultants in the delivery of services.

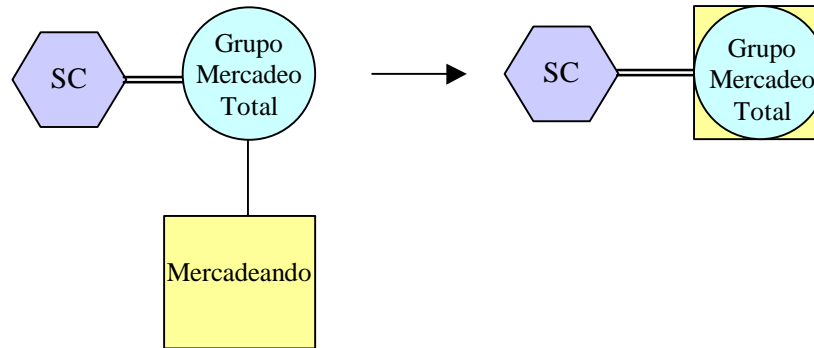
1.5.2. Relationship with operators

The Swisscontact BDC concept is based on a contract between an operator and Swisscontact for the implementation of a BDC. Within the first two years of this contractual relationship and strongly influenced by the support scheme (incentives/penalties and controls) the

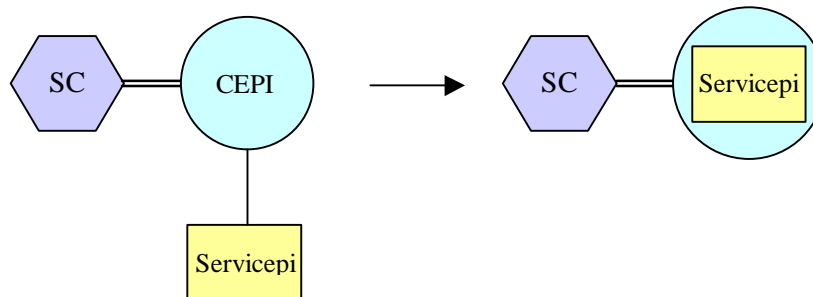
relationship between the BDC and the operator has evolved in three different ways as shown in the graphics below.



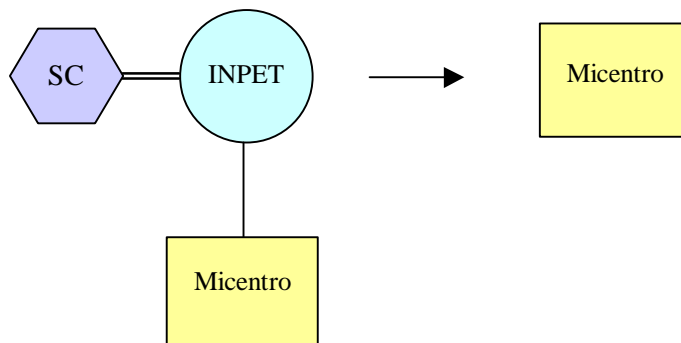
In the first case the operator was conceived as a small holding and as the BDC started to be successful the other components of the group lost importance and the BDC absorbed the operator.



In the second case the BDC developed so strongly that it started to influence the internal operation of the operator. However the operator still maintains a number of other activities not directly related with the BDC.



In the third case the operator decided to found a legally independent company for the BDC.



In one case there was no evolution of the relationship between operator and BDC. The first two cases are the most successful ones, possibly due to the very high personal commitment of the responsible persons, who precisely were assessed during the tender and selection process.

Another common feature of both cases is that the operator was in the first case a small company and in the second case a small local NGO. Case 3 and 4, both are large and long established NGO networks.

For Swisscontact as a funding agency this institutional evolution of the BDC operators was a challenge, as it required constant flexibility and restraint from interference in institutional evolution and change within the operator and the BDC.

1.6. Monitoring System

1.6.1. The features of the system

Monitoring was conceived as an important component of the BDC model, responsible for collecting information, which is important for the different participants in the process.

There were two major objectives for subcontracting the monitoring system outside of Swisscontact:

- Develop a local capability in the design and use of these instruments, which may gain a value in a market where different actors are setting up BDCs.
- To isolate the monitoring roll (sometimes monitors may play the “bad guys” role), from the advisor and financing role played by Swisscontact.
- The information that we ask for in this sub-system, and that we use for paying incentives during the first phase of support , is:
 - Incomes
 - Expenses
 - Coverage (number and types of clients attended)
 - Services provided

The difficulty in the design of the monitoring system stems from the fact that it is a multi-user system, which must be able to cater to the needs of:

1. The BDC manager, in order to obtain management information and draw conclusions to improve the performance of his center. He/she also may know it's own position and it's relative position with respect to the performance of other centers.
2. The Program, to verify the fulfillment of goals agreed in contracts, self-financing, etc. This data allows us to pay income-based incentives.
3. The Operator (owner) of the BDC, to supervise the evolution of it's project.

1.6.2. How does the monitoring system operate?

During the first five days of each month, every BDC remits information about its results during the previous month. If this information is not provided within the established time frame, incentive payment will be delayed by one month. Three days later, the monitors give Swisscontact information in a flash report called “pre-report”, that allows the program to pay incentives within the first 10 days of each month. Later, the monitors will verify the information and correct any irregularity, which will be reflected in the following periods. After this first flash report, the monitors emit three different kinds of reports: monthly, quarterly and semi-annual. These reports provide information with different depth, based on data collected in the formats, during the visits of the monitors to the centers, interviews with the clients, and the analysis and interpretation of the results raised by the centers, including gender analysis.

The following table allows to visualize the different reports and contents:

REPORT	CONTENTS
Pre-report (flash report)	<ul style="list-style-type: none"> • Incomes • Expenses • Percentage of self-financing • Contribution of Swisscontact for operating expenses • Contribution of Swisscontact for incentives • Incomes and expenses per kind of activity • Indicators for quality and target group
Monthly report	<ul style="list-style-type: none"> • Comments about results (based on pre-report) • Graphics comparing results of centers (per generation or family) • Evolution of principal indicators • Observations, recommendations
Quarterly report	<ul style="list-style-type: none"> • Summary • SWOT for each BDC • Evaluation of services, trends • Quantitative and qualitative analysis • Results from surveys to clients • Gender • Observations, recommendations
Semi-annual report	<ul style="list-style-type: none"> • Additional to the quarterly inform, it may include: • Analysis of economic and political context • Analysis of the organization: human resources, institutional image and internal organization • Market, level of penetration • Operator's contribution

Last year we developed a monitoring software, designed with the objective to facilitate collecting and processing of information for the different users. With the system, managers are now able to develop their data base of clients, register incomes, analyze costs per service, and also link with the accounting system, that is included in the software.

Gathering information from the micro level

As said in the Impact chapter, we focus our impact analysis at the meso level, because this is the level where we intervene. Nevertheless, we think it is very important to perceive what is happening at the micro level (clients) in terms of interest, satisfaction and usefulness of the services. We think that the first criterion to consider the sustainability of the BDC is the consolidation of the center in the market, and this will be reached through the growing demand of services. Within our BDC concept, measuring of changes at enterprise level, such as employment, sales, productivity, investment is not considered vital, as the usefulness of services have already been assessed by the entrepreneurs at the time they paid for the services delivered.

However the monitors take on a quarterly basis a small (not representative) sample of clients, which must include at least three clients of each center, and at least 50% of women. They ask the clients about the services they bought, the satisfaction they reached, their opinion about the useful of the new knowledge acquired, and if they are intending to use more services. The feed back of the entrepreneurs has helped the centers to adjust some services and improved the quality of attention.

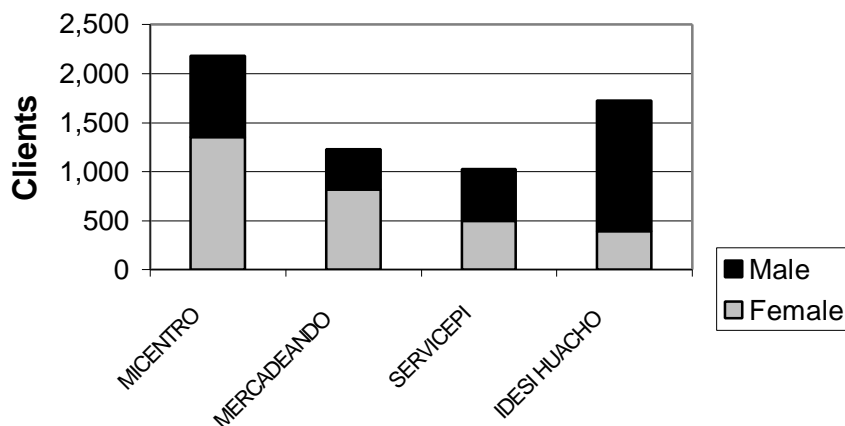
During 1998 the monitors have conducted 64 interviews with clients of the BDCs. From these interviews we know that:

- the majority was contacted directly by the Center
- 36 % were completely satisfied with the services, 16 % were only partly satisfied
- clients noted major impacts from services oriented to increase sales, whereas services oriented towards production and management had fewer effects, recently delivered services didn't show effects yet
- 69 % of the clients fully paid for the services, whereas the rest had access to some sort of subsidies
- 75 % of those receiving subsidies say, that they would not have accessed the services, if they didn't receive external support
- 38 % of the clients feel the prices are high, however the majority feels that the prices are fair
- the clients are satisfied with the attention they get from BDC staff, specially what concerns contact, communication and the image they transmit. Negative comments are received about the organization of events
- almost all the interviewed clients are willing to buy further services from the BDCs
- main demand lies in sales improving aspects, such as sales techniques and client attention
- main problems are low sales, second priority are organizational aspects and employee management. However during 1997 the first priority was on production problems.
- 58 % of the interviewed persons don't know what services are available on the BDS market

In spite that the sample is still too small, the results of these surveys give us important indicators about the center's performance, and constitutes first steps towards the future impact measuring at the micro level.

1.6.3. Information obtained through the monitoring system

Number of clientes diferenciados by gender per BDC



The following table shows accumulated sales per sub-sector for the years 1996 to 1998.

The Business Development Center Approach

Sub-sector	Sales, US \$	%
Garments	1 172 204	70.2%
Metal working	85 971	5.1%
Leather and shoes	103 165	6.2%
Institutions	120 360	7.2%
Handicrafts	17 194	1.0%
Agro industry	17 194	1.0%
Commerce	34 388	2.1%
Not identified	17 194	1.0%
Others	103 165	6.2%
Total	1 670 835	100.0%

Cost break – down
(year 98)

Items / BDC	MICENTRO	MERCADEANDO	SERVICEPI	IDESI HUACHO	TOTAL	%
General services	5 620	8 847	14 496		28 965	3.7
Interests		362	13 832		14 194	1.8
Materials		8	496 220	4	496 232	63.3
Other costs	5 526	14 544	9 620	16 139	45 829	5.9
Rents	1 963	2 586	6 251		10 801	1.3
salaries	12 833	28 220	109 712	36 936	187 701	24.0
Total	25 943	54 568	650 133	53 079	783 722	100.0

2. Discussion and Conclusions

From Swisscontact's experience with this approach a number of lessons can be deduced:

- There is a market for BDS providers and under the approach the operators behave rationally from an economic point of view

Moving from traditional aid programs, which are supply and front end oriented, towards a more market oriented approach we first have to convince traditional BDS providers and also donor agencies that the presented approach is viable and more in line with the general economic philosophy of present times. Swisscontact's approach puts major efforts into monitoring of economic results of BDCs not only because it is an integral part of the incentive system, but also to obtain first hand data on the behavior of this model and thus put it up for discussion and competition.

- Management capacity of owner/manager is crucial

SMEs generally depend on the capacity of their owner/manager. The same is true with BDCs. The motivation of the manager, his "ownership" of the "project" is crucial to success. Like any small entrepreneur he/she strikes a delicate balance between production and his/her own training. We have to admit that they won't take all training opportunities as offered. Over time we as a donor agency have taken more influence in the selection and appointment of new BDC managers. This however needs to be done with caution and restraints, as it could mean severe interference into areas of full responsibility of the operator. In view of the still limited income generated, there is little room to base BDC manager remuneration on performance.

- Internal organization needs to be improved

Management of BDC internal information needs to be improved, starting with accurate and timely accounting information. It is still difficult to have a clear view on gross margins per services, direct costs per product, market segments and corresponding services with high contribution towards self-financing.

As the BDCs are small consulting enterprises, they sell mainly know-how, closely associated to one person. It is difficult to convince customers that a staff member of the BDC will perform equally well as the senior consultant of the center. This of course is a major limitation and a real challenge for the future of any BDC aiming to grow.

- Management of various different services (BDS portfolio) at a time is weak

Income oscillates very much from month to month. This indicates, that the centers offer a limited (in many cases only 1 or 2) number of services and they have a more sequential approach to selling and providing services, rather than a mix of products, which might smoothen their income curve.

Under Peruvian conditions and depending on the sub-sectors seasonal fluctuations do exist, but they are compounded in the first years of operation of the BDCs, with a tendency to disappear, if the center is successful in establishing itself in the BDS market.

- So far product improvement and development of new services is made on trial and error

Above statement is based more on perception than in-depth analysis. In Ecuador, Swisscontact defines together with the BDC within the annual assistance program the terms of reference for product improvement and then applies a co-financing scheme. Other experiences are competitive funds made available by donors or by government as it is the case in Chile, Ecuador, Peru and Bolivia. Out of experience we have learned, that it is very difficult to develop new services starting from market surveys. The recent Indonesian and Peruvian experience of the BDC trying to survive in a time of economic crises indicates, that product innovation takes place under economic pressure of struggling for survival: most of the supported BDC could adjust their product portfolio after a re-orientation phase of 2 to 3 months.

In any case here the question of “BDS industry” development needs to be discussed from a more macro or upper meso level point of view. In the medium term there is a need to invest in second tier institutions who respond to the need of BDCs for service development. In Peru Swisscontact is making interesting experiences in franchising training methodologies from abroad to BDCs and other BDS providers.

- Differentiate BDC objectives as an enterprise from development objectives as a donor agency

The approach here presented, very clearly differentiates between the objectives of the BDC from what might be objectives of the funding agencies. There exists a growing market for BDS and therefore competitive and specialized BDCs will stay in this market in a sustainable way. However, as mentioned a BDC might not opt for large coverage, but rather work with a limited number of clients and seek for quality and reliability in their contribution.

Development objectives seeking outreach and income distribution are not necessarily compatible with BDC objectives as an enterprise. However, we feel, that in the long run the

development of the BDS market will contribute and is essential to improve the competitiveness of SME with all the implicit benefits to society.

- donor agencies must be ready to react flexibly to institutional and product change at BDC and operator level

During the initial phase the supported BDCs showed fast changes at institutional level, what needed careful reactions and adaptations from the donor agency. BDCs with poor performance quickly started experimenting with different products, which were not in the initial project proposals. If economic sustainability and demand orientation is taken seriously changes have to be permitted and encouraged.

3. Issues for further discussion

3.1. Rationale for investing in private sector:

The availability of demand-oriented business development services is worldwide recognized as one element of a conducive environment for SME development. Swisscontacts BDC approach offers an efficient way for how to stimulate actors in the BDS market by applying market instruments and keeping market distortions at a minimum. Nevertheless, the justification, precautions or delimitation why to invest donor money into “private” service companies needs to be discussed further and a set of parameters might have to be developed to make assignation of donor resources more transparent.

Services closely related to the production and marketing process are highest in demand and as shown can be sold at market prices. Our support mechanism seeking economic viability of BDCs focuses their attention exactly on this type of services. But the question has to be asked: Why is no private enterprise active in this market segment? Definitely, our incentives reduce entry barriers. However we do not have an exact view, if there are only financial risks, or if there are barriers of other nature too. We have to learn more about this in order to make a judgement if advisable to invest in such BDCs.

3.2. Reaching micro enterprise customers

Average customers of BDCs are small to medium sized enterprises with potential for growth, rather than micro-enterprises at subsistence level. Therefore, the BDC approach is obviously not an instrument for direct poverty alleviation. The challenge of how to deliver services to subsistence level micro-enterprises in an efficient way remains unsolved. The discussion on how to integrate smallest enterprises or clusters is vital and will bring us closer to the institutional donor objective. The Indonesian experience shows that BDCs might be an efficient instrument to implement (donor or government) subsidized programs for micro enterprises through these institutions, but there are substantial risks that BDCs might lose their clear customer focus, if the implementation of subsidized programs becomes their main business.

In any case, the target group will not be able to contribute substantially to the sustainability of the BDC. Therefore the donor agency or government must finance the cost of reaching out to micro enterprises. In this case the BDC would provide the services, but would charge a management fee for delivering BDS to the target group or for administering for example a training voucher system. This income for the BDC will persist as long as government or a donor agency needs the services of a BDC.

3.3. Limitation of BDC activities

The definition of the services to be provided by the BDC is an important entrepreneurial decision. The BDC approach is built on the assumption that BDC offer the services that they feel that a) best fit within their core competency and b) meet clients demand. The entrepreneurial responsibility for the BDC product portfolio is an important precondition for future success of the BDC, but is in contradiction with the wish of the donor to have influence on the type of services to be offered. Donors are therefore advised to be very careful with intervention in product selection and to make the restrictions clear from the beginning. Based on our experience we suggest donors to limit their support to BDS in the strict sense (training, consultancy, information) and not venture into business related services, such as transport, storage, certification etc. because of the inherent danger of market distortion with this type of activities.

3.4. Need for further research

And finally what are the characteristics of the necessary structure, its cost and size for program administration? It is not analyzed yet, what are the minimum elements and conditions in order that a BDS market will develop, grow and function on its own and therefore determine the necessary promotion investment from donors, public and private sector. There is still room for further improvement!