

**Business Services for Small Enterprises in Asia: Developing Markets
and Measuring Performance**

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**The Performance Measurement Framework (PMF) for Business Development Services (BDS)
applied to CEFE Projects in Laos, Thailand and Sri Lanka**

By

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**Competency-based Economies through Formation of Enterprise (CEFE),
Sponsored by the German Agency for Technical Cooperation (GTZ)**

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Abstract

The paper combines and analyzes data from 3 GTZ supported small enterprise projects in Asian countries to test the proposed PMF for BDS: the Small Enterprise Development Project (SEDP) in Laos, the Small-scale Industry Promotion Project (SSIPP) in Thailand, and the Sri Lanka-German CEFE Program (SLGCP). All 3 projects use CEFE training methodology. The Lao project has succeeded in establishing a private provider of investment/ management training and related services to individual SME and institutional (donor) clients. Based on a Gemini survey, systematic targeting of market segments was done, and a range of training products including products for repeat use were developed and introduced. In the given environment and with only 1 provider existing in the country for this type of service, outreach has been considerable. The Thai project works with a diversified structure of private and public providers. Like Laos, it excels in development of adapted training products. For sustainability of the services established it counts on mobilization of substantial participants fees and at the same time on public sector contributions. The Sri Lankan project achieved a breakthrough in outreach when it diversified its implementation structure to work with 10 private, NGO and public sector providers which market training to various institutional clients in all parts of the island. Like in the other cases, SME 'clients' pay fees, which don't cover cost, and the institutional market for entrepreneurship/ management training contributes towards sustainability of the service. A 'decreasing subsidy policy' has been pursued and like in Thailand the subsidy content from GTZ contributions to the project funds was cut down to around 22%. In impact monitoring the Lao project made a systematic attempt to estimate changes in value added; all projects have sales data, business start-up and expansion rates as well as customer satisfaction data.

The PMF is considered a useful instrument to learn about what we are doing in supporting BDS provision and developing BDS markets. It needs to be refined. Some indicators don't make much sense to us; some don't measure what they are supposed to; sometimes it is hard to collect the respective data, and in some cases of indicators research rather than routine monitoring procedures would be needed to get meaningful data. More detailed suggestions are made below. Against the background of the market development discussion, the PMF is in its present form heavily biased towards studying the market of individual SMEs and sales of private sector suppliers. This is a strength as it directs attention to phenomena which were neglected earlier. It is a weakness, as it cannot capture the institutional market for BDS which plays a dominant role for example in Sri Lanka, and activities of public sector institutions and their budgets, which are part of the whole BDS market, are sometimes difficult to be analyzed in PMF categories. As an analytical tool the PMF needs to be adapted to study the whole market which has become much more complex than what is assumed by the simplifying model of a donor subsidizing a public institution to supply BDS which SMEs don't buy.

The Performance Measurement Framework (PMF) for Business Development Services (BDS) applied to CEFE projects in Laos, Thailand and Sri Lanka

by Chris Reichert, Christian Lempelius, and Jim Tomecko¹

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1. The projects
2. The PMF tables
3. Review of proposed indicators and discussion of research questions
4. Best practices

This paper combines and analyzes data from 3 GTZ supported small enterprise projects in Asian countries to test the proposed PMF² for BDS: the Small Enterprise Development Project (SEDP) in Laos, the Small-scale Industry Promotion Project (SSIP) in Thailand, and the Sri Lanka-German CEFE Program (SLGCP). All 3 projects use CEFE³ training methodology. Apart from that, project designs as well as environment conditions vary. Projects have available different data related to the PMF: not always can the PMF be fully completed; comparability involves some problems sometimes, and not always is the definition of indicators in the PMF met in a strict sense. Details are provided below. However, we feel that all projects can provide relevant data and can contribute methodological views and comments to further development of performance measurement in general and the PMF in particular. While type and number of services supported vary, for reasons of comparability we concentrate here on management/ investment training including some follow up counseling as the service type studied and exclude other services from the analysis. In addition, in the case of the Thai project, which is fairly complex, analysis has been confined to activities in the Upper North region of Thailand.

1. The projects

Laos

Laos, or Lao as it is called by the people who live in the country, is the most sparsely populated country in Asia. The economy is composed of agriculture and forestry (56.3% of GDP), manufacturing, including construction (15.8%), and trade and services (27.9%). The per capita income for its population of 5 million people has risen from US \$270 in 1993 to around US \$320 in 1995. In spite of the recent progress, the economy remains very underdeveloped. The incidence of poverty is very high at 46% and literacy rates are still low at 64%.

The *Small Enterprise Development Project (SEDP)* was implemented from 1994 to 1999. The first two years consisted of research and testing appropriate entrepreneurship development tools while the next three years involved the scaling-up of these measures. The project's objective was to establish a self-financing institution to provide training, information and counseling to owner/ managers of small

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² Mary McVay, Measuring the performance of business development services for small enterprises, Committee of Donor Agencies for Small Enterprise Development, September 1999

³ Competency-based Economies through Formation of Enterprise (CEFE)

and medium enterprises and to offer research, consultancy and training, on a fee-paying basis, to others. By strengthening individual entrepreneurial competencies, the project aimed at contributing to the overall goal of improving the competitiveness of Lao small and medium enterprises within the South East Asian region.

In 1995 as part of its Orientation Phase, the SEDP conducted a Gemini Survey (14,000 sites visited) of the private sector to determine numbers, sectors, location, assets and turnover of the small and medium enterprises in the whole country. This survey revealed that the private sector is predominantly made up of small family businesses engaged in trading and food related enterprises. In all there are an estimated 146,000 businesses out of which about 50% were no larger than one person; only 7% have paid employees. To capture the highest possible percentage of revenue from the private sector, the SEDP concentrated its efforts on the 5 major urban areas. Based on the Gemini survey results, the target group was defined as 2,640 businesses operated by entrepreneurs with at least primary education, aged between 25 to 50, in the manufacturing, service and larger retail sectors, with 2-30 employees. 40% of these were estimated to be run by women. The project targeted an annual capacity of training 400 entrepreneurs, 30% of which would be repeat trainees. The target was achieved in the last year. A total of 747 entrepreneurs were trained from 1995 to 1999.

Because of the unique situation in Laos, it still being a communist country run by a poor administration, the project was the only real service provider in the country for investment training. Major services provided were:

- 2 week business start-up course
- 2 week business expansion course
- 12 hour (3 half days) marketing course
- 12 hour (3 half days) finance course
- 12 hour (3 half days) family business management course.
- 3 week introduction to management for civil servants
- 1 week Training of Trainers
- 3 week training of micro finance officers
- training needs assessment and other surveys
- business counseling.

This means that there are 5 main management or investment training products for entrepreneurs, apart from other related products.

The Government partner for this project was the Ministry of Industry. Because the government was controlled by a combination of party dogmatists and military leaders who together viewed the private sector solely as useful agents for their own covert business interests, support for the private sector was weak. This lack of support turned to resistance when, after reaching financial viability, the project tried to register itself as a private non-profit organization. After lengthy negotiations and a Project Progress Review, the German Government decided to withdraw its assistance to the project. In the wake of this, however, a private (for profit) training and research firm, consisting mainly of former staff members of the project, was established and is operating now since September 1999. The private company Enterprise Development Consultants (EDC), consisting of 7 shareholders and three additional professionals, is selling business management products and their variations to many different clients. With lower overheads than before, the company can now afford to conduct training for small entrepreneurs in Vientiane, the capital, at a break-even rate. The firm caters mainly to other development agencies in the field of micro business, micro finance and non-formal education.

For an evaluation methodology at the firm level, the project focussed on change in value added in order to show that training could have an impact on investment and growth. Each course was evaluated separately. The performance of the enterprises of one course after one year was as follows: The average net increase in investment between the end of the course and one year later was 81%. This was compared to an average growth in domestic investment during the same period of 3.4%. Sales

for the period increased by 44% compared to GDP growth of 6 %. The average increase in value added for the 20 businesses over the 12-month period (net of inflation) came to \$ 340,000 or about \$17,000 per business. The ROI calculation for the course (additional value added for one year compared to the cost of the training) came to about 2,200%. Average performance for all courses that were evaluated this way was 26% additional investment and 44% increase in sales and value added per annum.

The second major set of evaluation criteria for the project revolved around the financial viability of the service provider. A profit and loss account was set up at the beginning of the last 3-year phase of the project to monitor how close the project as a service provider was to achieving financial viability. The profit and loss table for SEDP for 1997-99 (*Appendix 1*) shows that the provider made a small surplus in 1999 with 3% of income made up by participants' fees, and the bulk of business coming from other donors who paid the service provider fees for a whole range of management training and consulting services in areas like microfinance, microenterprise and management development.

Thailand

Thailand's impressive record of high growth and low inflation, sustained over a period of about three decades, has hidden the development of some major structural imbalances which finally surfaced in early 1997 as part of the Asian economic crisis – just when the Small-Scale Industry Promotion Project (SSIPP) was about to start. These imbalances can be attributed to weak and poorly regulated financial markets, combined with a fixed exchange rate policy, and premature liberalization of external capital accounts.⁴ The earlier overvaluation of the Baht and decreasing demand abroad resulted in a sharp downturn of Thai exports. The recession was aggravated by excessive fiscal contraction during the latter half of 1997 and in early 1998. GDP decreased by 1.3% in 1997 and by 10.4% in 1998.

Since 1999 the situation has stabilized with an estimated GDP growth of 4.1% in 1999 and 5-7% in 2000. Exports again became a key factor in driving Thailand's economic growth. However, the impact of increased import prices (for goods such as fuel, raw materials, spare parts) due to the weaker Baht is strongly felt now by all strata of the 60 million Thai population. In particular SMEs in the building material industry have been heavily affected, but also all suppliers to the automotive, electronic and electrical appliances industries suffered heavy setbacks.

In its present design, the *Small-scale Industry Promotion Project (SSIPP)* in Thailand has been implemented since 1997. The objective is to improve competencies of entrepreneurs and managers and thereby assist successful business start-ups and improved management. Against the background of economic development disparities between Greater Bangkok and other areas of Thailand, SSIPP aims at helping redress the imbalances by promoting the development of small industries in the regions. Currently, it is active in 9 provinces of Thailand, 4 in the Upper North, 2 in the Lower North East and 3 in the West.

The Government partner is the Department of Industrial Promotion (DIP), a unit under the Ministry of Industry, with the mandate to develop, promote and support existing manufacturing businesses. Therefore, the focus is on manufacturing and on existing enterprises, but other businesses and business starters are not excluded. SSIPP assists in reviewing and developing a wider range of BDS such as information, small business counseling, consultancy, training, applied research, and establishment of local networks of service providers. It also supports organizational development of the Department of Industrial Promotion and its Industrial Promotion Centers (IPC) which are the main facilitators in the regions. The project cooperates with more than 30 local participating SME service institutions, among them Provincial Industrial Offices, local Chambers of Commerce, local chapters of the Federation of Thai Industries, branches of the Bank of Agriculture and Agricultural Cooperatives (BAAC), branches of Small Industrial Finance Corporation, entrepreneur clubs of EDP and CEFE courses, NGOs, University units or private training companies.

⁴ ADB, Thailand - Country Assistance Plan, November 1998

In this paper we concentrate only on SSIPP activities in the Upper North Region and only on CEFE-type training activities. There are 12,859 registered SME establishments in the Upper North region (1996). According to the Thai definition, a small enterprise has 5-49 employees in the manufacturing and 5-19 employees in other business sectors, while a medium enterprise has 50-199 employees in manufacturing and 20-99 persons in other business sectors (i.e. mainly trade and services).

There is probably an equally large number of informal and micro-businesses in the Upper North which have however not been targeted by the project so far. While Thailand knows other training products in the field of entrepreneurship and management training such as EDPs and 'Mini MBAs', such courses have hardly been conducted in the Upper North during the last 4 years.

The CEFE training packages so far applied in the region include

- an Entrepreneurial Competencies Workshop (EC) – 4 days
- a New Business Creation Full Course (FC) – 22 days
- Small Business Management on Marketing Management (SBM-MM) – 4 days
- SBM – Production Management (SBM-PM) – 4 days
- SBM on Human Resource Management (SBM-HRM) – 4 days
- SBM on Financial Management (SBM-FM) – 4 days
- SBM on Export Marketing Management (SBM-EMM) – 4 days
- SBM for Cottage Industry (SBM-CI) – 5 days
- Business Restructuring and Competency Enhancement Workshop (BRACE) – 8 days
- Strategic Project Enhancement for Enterprise Development Workshop (SPEED) – 9 days
- Business Planning Workshop (BP) – 10 days, i.e. a total of 11 different management training products for potential and existing entrepreneurs.

With regard to the system of service provision, it is difficult to distinguish facilitators from providers in this particular case. Main facilitator in the North is the Industrial Promotion Center, Region 1, in Chiang Mai (IPC 1), and the Bank of Agriculture and Agricultural Cooperatives (BAAC) has recently also joined. Both are public sector institutions. They would contract parts of the training function to various providers; however, they are at the same time involved with own personnel in the training. Apart from these 2 provider-facilitators, providers in the North are

- Ing-Ka Ltd. Partnership, a private consultancy firm in Chiang Mai,
- Payap University,
- Synergy Training and Development Ltd.,
- the Institute of Small and Medium Enterprises Development at Chiang Mai University (ISMED/CMU) which is presently government-owned with an autonomy status being in preparation
- the Yonoke College in Lamphang, a privately owned University which is however presently not active in CEFE.

Apart from that there are 16 CEFE freelance trainers as subcontractors, and at least 25 more government or non-governmental organizations are involved in promoting, facilitating or co-organizing CEFE courses. Total direct training costs (excluding overheads of the public sector facilitators) have been funded by participants fees (28%), DIP (43%), BAAC (6%) and from GTZ funds (23%). From 1997 to 1999 a total of 473 entrepreneurs have been trained.

For an evaluation methodology at the enterprise level, the project tried to assess the impact of training by 2 sets of personal judgements. The first one is input-oriented and focuses on the 'usefulness' of the CEFE course attended and attribution of successful changes implemented after the training. 69% out of N=241 respondents (February 2000) stated 'significant' or 'very significant'. The second set of statements inquires into increases in employment, sales and profitability 6-9 months after the training.

Sri Lanka

Sri Lanka is a relatively small but densely populated island country with 19 mill. inhabitants. It has a democratic political system with a strong role of leading families in politics and a 20 years tradition of violent social conflicts in recent history. A civil war along ethnic lines is affecting large parts of the North and East of the country. With a GDP per capita of \$ 837 in 1998, Sri Lanka falls into the category of lower middle income countries. Unlike in other South Asian countries, adult literacy is high (92%). The economy is composed of agriculture/ forestry/ fishery (26.3% of GDP), mining/ quarrying (2.7%), manufacturing (15.4%), construction (7.3%) and services (48.2%). GDP growth since 1995 was 4-6% p.a. Government is committed to a liberal economic policy and market economy; however, there is a strong tradition of socialist and welfare thinking in society and politics. In spite of the war, donors like the country: UN figures published in 1996/97 revealed that Sri Lanka is receiving 3 times the average amount of Official Development Assistance (ODA) per capita as compared to other countries.

The *Sri Lanka-German CEFE Program (SLGCP)* commenced in 1995. It supports various training providers to conduct CEFE entrepreneurship and management training. The project's objective is that as a result of the establishment and use of improved training and follow-up services, potential entrepreneurs start-up and existing businesspeople expand, improve or diversify competitive and sustainable micro-, small- and medium-scale enterprises. In terms of enterprise size, most clients would qualify for the microenterprise size bracket (≤ 10 employees). Strictly speaking, the majority of 'clients' are not real entrepreneurs, but people who want to start up (or test the option of starting) a business.

The Government institution in charge is the Ministry of Plan Implementation and Parliamentary Affairs and its Regional Development Division (RDD). The project therefore started with a focus on regional development in 3 provinces, and with 2 providers: the Sri Lanka Business Development Center (SLBDC), a private non-profit institution established with USAID support in 1984, and the Industrial Services Bureau (ISB), a provincial public sector organization. To increase outreach the number of partner organizations was increased to 10 in the 2nd phase since 1998, out of which 9 are training and other service providers. They include 1 private for profit provider (Business Consultancy Services (Pvt.) Ltd.), 3 private non-profit providers (SLBDC, Central Province Enterprise Promotion Center/ CPEPC, Sarvodaya Economic Enterprises Development Services/ SEEDS (Gte.) Ltd.), 1 NGO (Sewa Lanka Foundation), and 4 public sector organizations (ISB, University of Jaffna, Eastern University, Department of Industries of the North East Provincial Council). The diversification of the provider structure resulted in a major breakthrough in terms of outreach. Providers cover the whole island and offer training in Sinhala and Tamil medium. A total of 2,039 people were trained from Nov. 1995 to Dec. 1999.

Providers offer, among other services, the following CEFE-type training products:

- 14 day New Business Creation programme (NBC)
- 14 day Small and Medium Business Management and Expansion programme (SMBME)
- 10-14 days NBC for microenterprise
- 14 days Women Entrepreneurship Development Programme
- 8-10 days Agricultural Marketing/ Market Orientation of Agricultural Producers programme.

Follow up support and in the case of some NGO providers credit to members are linked to the training.

The institutional context is characterized by a tradition of Entrepreneurship Development Programmes (EDPs) of around 15 years, mostly Indian-type, and often with a welfare rather than business orientation. While major EDP players are today participating organizations of SLGCP, there are alternative EDP products and providers in the market, in particular the Industrial Development Board (IDB), whose role has been declining, the Small Enterprise Development Division (SEDD) of the Ministry of Youth Affairs, and private consultants. EDPs have been funded by a large number of government in-

stitutions and donors; in the past, participants have often been paid allowances for coming to the training.

The tradition of free training has still some impact, but most actors would nowadays collect some sort of participation fee. However, the bulk of the training cost is generally contributed by institutions rather than by the entrepreneurs. The market for entrepreneurship and management training for small enterprises in Sri Lanka is predominantly an institutional market.

From its start the project approach was to support participating training providers to market the training; the main clients are other institutions and donors. Public sector providers and NGOs also contribute to the training cost from own budgets. Participants' fees contributed an average 8% of the training cost, while the subsidy from CEFE project funds has been cut down from 56% in 1995 to 22% in 1999, in line with the project's 'decreasing subsidy scheme'.

The evaluation system includes a survey of major characteristics of participants during the training (Participants Survey, M&E1), a survey of projects planned at the end of the training (Business Plan Survey, M&E2), and a Business Plan Implementation Survey (M&E3) 1 year after the training. Data is collected on investment, employment effects, sales, among others. Value added data is not available. Tracer studies are also conducted after 3 years.

2. The PMF tables

Notes on the methodology

Market size (demand): While the PMF is trying to count SME customers only, there are no SMEs in Laos, Thailand and Sri Lanka which pay the full price or value of the service. We therefore separate the number of SMEs which pay fees covering part of the cost from the total number trained. In Sri Lanka, there are also cases of SMEs who didn't pay any fees, as this was the policy of the institutional client who paid fully for the training. As a project, we can hardly prevent providers from selling a training programme to an institutional client. However, project funds are not available for subsidization if no participants' fees are collected.

Market size (supply): a) Again, the PMF is trying to measure sales to SMEs; we can capture this through the participation fees paid by SMEs. However, this is only a fraction of the total cost or value of the training, and the balance is provided by institutional clients or from own contributions of the providers if they have own budgets for this. The real 'market' is larger than sales to SMEs. We therefore give separately sales to SMEs and 'total sales' including institutional contributions. b) The 'sales' category is basically applicable to private providers and does not capture the whole value of training delivered. Public sector providers use own budgets, they 'sell' to the Treasury, and NGOs might use various donor budgets given to them. We derive 'total sales' = total value of the training conducted from the training budgets given to the projects. For Laos, total sales include various services of the provider established by the project to various donors, apart from training for SMEs, as well as the subsidy from project funds. For Sri Lanka, total sales = total training budgets, which for private providers include a profit margin, for public providers exclude some overheads, and for NGOs probably come close to the 'total cost' or 'total value' of the training provided. For Thailand, 'total sales' are also derived from the training budgets and roughly cover direct training cost funded by Government, SMEs and GTZ contributions.

Goal 1: Outreach (scale and access) – Assessing BDS Markets							
Projects		Lao-German Small Enterprise Development Project (SEDP), 1996 – 1999		Sri Lanka-German CEFE Program (SLGCP), 1995 – 1999		Thai-German Small-scale Industry Promotion Project (SSIPP) (Northern Region only), 1997 – 1999	
		1998	Cumul. 1996 – 1999	1998	Cumul. 1995 – 10/99	1998	Cumul. 1997 - 1999
Market size: No. of SMEs purchasing the service	SMEs fully paying for the service (training)	0	0	0	0	0	0
	SMEs paying fees for training	152	727	590	1582	215	473
	Total no. of training participants	152	727	771	1866	215	473
Market size (supply): amount of sales by BDS providers	Providers' sales to SMEs (participation fees), in US\$	\$ 1,785	\$5,200	\$ 6,400	\$ 20,300	\$ 6,825	\$ 21,925
	Providers' sales total (incl. institutional clients), in US\$	\$ 65,000	\$ 164,646	\$ 102,300	\$ 268,400	\$ 30,470	\$78,175
Market penetration	% of potential SME market reached with a BDS	Target market: 2,640 out of 23,200 businesses in 5 towns; 260–388 bus./ yr. reached = 10-15% of target market		Unknown		12,859 SMEs in project area; 473 trained in 97/ 98, i.e. 236/ yr. = 1.84% of all SMEs per year	
Number of BDS providers	Providers with similar products	Only 1 provider in the market, i.e. the one established and supported by the project		Market: ~ 15 providers of comparable products, incl. CEFE providers; Project: 9 institutions and 4 freelance trainers		5 institutions and 16 freelance trainers; no other providers presently active in the market with comparable products	
Number of BDS service types	Number of BDS products promoted	5 training course products + counseling		Market: ~ 10 comparable training products available, incl. CEFE products; Project: 5 training course products + counseling		11 training course products + counseling; no other comparable training products in the market presently	
Well distributed, wide price range for BDS	Price range: participants fees	\$0.52 - \$4.20 per participant day		Market: \$0 - \$15 participation fee per participant for comparable products; project: \$3.80 – \$76 per participant for the 14 day program; i.e. \$0.30 - \$5.40 per participant per day		\$12.50 - \$125 per participant per program (4-22 days); \$2.50 - \$ 12.50 per participant per day	
	Price range: total price incl. payments by institutional clients	\$1,890 (3 days) - \$4,125 (14 days)		\$2,100 – \$5,800 per program (14 days); \$96 - \$206 per participant; \$6.90 - \$14.70 per participant per day		\$1,500 - \$15,230 per program (4 – 22 days); \$70 - \$730 per participant; \$14 - \$33 per participant per day	
Average price per unit of BDS	Average price paid by SME (participants fee) per training day	\$1.43		\$0.91		\$7.70	
	Average total price (incl. payments by institutional clients) per training day per participant	\$10.10 (total direct cost per participant per day)		\$10.30 (total cost per participant per day)		\$27.50 (total direct cost per participant per day)	
Multiple users	Number and proportion of multiple user customers	35% of SME customers buying more than once		No repeat customers		Exact percentage unknown, but probably below 5%	

Indicators		Lao-German Small Enterprise Development Project (SEDP), 1996 – 1999		Sri Lanka-German CEFE Program (SLGCP), 1995 – 1999		Thai-German Small-scale Industry Promotion Project (SSIPP) (Northern Region only), 1997 – 1999	
		1998	Cumul. 1996 – 1999	1998	Cumul. 1995 – 10/99	1998	Cumul. 1997 – 1999
Market distortion	Average total subsidy content in %	From 37% to 97%; average subsidy on direct cost 86%; average subsidy on total cost 97%		94%	91%		72% (of direct cost)
	Average subsidy content from GTZ contribution to SEDP/SLGCP/SSIPP funds in %	97% on total cost (no other subsidies)		24%	28% (decreasing over time)		23% (of direct cost)
Deepen the market: reach underserved groups	Female clients in %	30%			35%		49%
	Microentrepreneurs (<= 10 empl.) in %	Not available			99%		35% < 10 empl.
	Ethnic minority (Tamil) clients in %	Not applicable			1995 – 97: 0 1998/99: 50%		Not applicable
% of potential target market reached	40% of target group are women, i.e. achieved at 75%			30% of target group are women, i.e. achieved			n.a., no targeting of special groups
Goal 2: Sustainability and Cost-Effectiveness - Assessing BDS Suppliers							
Achieve supplier sustainability	BDS supplier cost recovery of operational cost from clients fees	Range: 3-63%; average 14% of direct cost; average 3.2% of total cost		9% (of total cost)			28% (of direct cost)
	BDS supplier cost recovery from individual and institutional clients excl. project subsidies from GTZ contributions to SEDP/SLGCP/SSIPP	14% of direct cost; 3.2% of total cost		72% (of total cost)			77% (of direct cost)
Improve program cost effectiveness	Simplified cost-benefit assessment (total program cost/ year : aggregate program benefits for entrepreneurs/ year)	Cost \$620,150 Benefit \$1,205,000 ROI = 194%		Not available			Not available
	Total program cost	\$1,860,500 (last 3 years)		\$2,570,000 (1995 – 1999) (\$1 = DM 1.66 on average, 95-99)			n.a.: difficult to apportion to various project activities and components
	Total program cost per customer served	\$2,875 (last 3 years)		\$1,260 (95-Dec. 99)			Not available
	Total program cost per supplier assisted	\$1,860,000 (last 3 years)		1995-97: \$705,000 1998-99: \$126,800 Average 95-99: \$285,500 per provider			Not available
	Total program cost per \$1 increase in supplier revenue	\$11.30 (last 3 years)	\$1,860,000 : 164,646 = \$11.30 (last 3 years)		\$2,466,000 : 268,400 = \$9.20 (95- Oct. 99)		

Goal 3: Impact - Assessing BDS Customers/ SMEs				
Projects		Lao-German Small Enterprise Development Project (SEDP), 1996 – 1999	Sri Lanka-German CEFE Program (SLGCP), 1995 – 1999	Thai-German Small-scale Industry Promotion Project (SSIPP) (Northern Region only), 1997 – 1999
Indicators				
Increase customer acquisition of BDS	Customer satisfaction with a BDS	61% found the course very relevant, 38% found it relevant to their business; 100% recommended the courses to other entrepreneurs (N=40, sample survey 1999)	Course met more than expectations: 16%; met all expectations: 23% ; (N=207, trained in 1998, surveyed 1 – 1.5 years later)	Usefulness of the course was considered significant or very significant by 68.2% (sample N=132, trained in 1997/98, surveyed after 6-9 months)
	Repeat customers	35%	None	< 5%
Increase customer use of BDS	% of customers who improve business practices as defined by the supplier	75% on a sample basis 88% said they improved their business skills (N=40, sample survey 1999)	40% of would-be start-ups are in business after 1 year; 85% of would-be expanders have expanded after 1 year (overall results 95 – 99)	82% of participating existing entrepreneurs have implemented measures of improving, expanding or restructuring the business within 6-9 months after the training (sample N= 184)
	Increase in employment	n.a.	41% generated a total of 298 new jobs (N=207 surveyed in 1999)	23% increased employment (N=184 surveyed)
	Change in investment	+ 26% p.a. against the national average of 3%	157 trainees (76%) invested a total of \$457,000 (N=207 surveyed in 1999)	Not available
Increase customer benefits from BDS	Change in value added (sales – raw materials)	+ 44% p.a. compared to the national average of 6%	Not available	Not available
	Increase in sales	+ 44% p.a.	10 business expanders reported an average monthly sales increase of \$420; 22 business starters reported average monthly sales of \$550 (N=207 surveyed). Most people don't like to give income and sales figures.	33% of existing entrepreneurs trained in 97/98 increased sales within 6-12 months, in the middle of the economic crisis (N=184 surveyed)
	Increase in profitability	n.a.	51% of existing entrepreneurs trained (N=131 surveyed in 1999) indicated to have increased profitability	26% increased profitability (N=184 surveyed)

Market penetration: Systematic targeting was done in Laos based on a Gemini survey. In Sri Lanka, the potential market is countrywide but cannot be quantified due to lack of statistics. In Thailand, the number of SMEs in the project area (Northern Region only: 12,859) is known, but no special segmentation and targeting has been done.

Number of BDS providers: In Laos, the project was the provider and has then established a separate and private provider, Enterprise Development Consultants (EDC). There is no competitor in the market with a similar product. In Thailand, there are 2 major facilitators which at the same time get involved in conducting the training (IPC1, BAAC) and which apart from that subcontract part of the training function to other private providers and freelance trainers. In Sri Lanka, the Industrial Development Board (IDB), Small Enterprise Development Division (SEDD), Business Management Bureau (BMB) Lanka, Business Consultancy Services (BCS) (Pvt) Ltd., the Open University, and the National Institute of Business Management (NIBM) are in the market with non-CEFE entrepreneurship and management training; an unknown number of individual consultants conducting a programme here and there would have to be added.

Number of BDS service types: As our service has been defined as investment/ entrepreneurship and management-related training for SMEs, only different training products in this field and only training products for SMEs are counted, not other types of BDS offered or supported by a project, and not CEFE training products for officers or institutions.

Price range: As course duration varies, the best indicator is the price per participant day. We differentiate between price paid by SMEs and 'total price' based on above 'total sales' or 'total value' of the training.

Average price: Again we give participants' fees and total price/ value including subsidies and institutional contributions separately.

Multiple users: Some of the training products, particularly the New Business Creation course, are not intended to be bought more than once by the same person. In Sri Lanka, we therefore don't have repeat customers, but training clients can become customers for other BDS provided by the training provider, e.g. consultancies, microcredit, etc. In Laos and Thailand, with a more diversified range of training products, repeat purchases are possible, and in Laos they have been explicitly targeted.

Market distortion: Two types of subsidy contents are given: total subsidy content and subsidy from GTZ contributions to SEDP/ SLGCP/ SSIPP funds. For Laos this is identical. For Sri Lanka and Thailand it differs due to the substantial contributions by third party institutions. For Laos and Sri Lanka, the subsidy content is given as part of the total training cost; for Thailand, only direct cost is available as the reference category.

Market deepening and underserved groups: Women are the only group which is specifically targeted in Laos and Sri Lanka. In Sri Lanka, the ethnic minority (Tamils) got access to the services on a large scale as a result of the project expansion in its 2nd phase, but without much quantitative targeting. No particular targeting of 'underserved' groups has been done in Thailand.

Supplier cost recovery: Cost recovery from fees paid by SMEs and cost recovery including institutional contributions (but excluding GTZ contributions to SEDP/ SLGCP/ SSIPP project funds) are given separately. Figures reflect above subsidy content data.

Cost-benefit assessment: Data is available for Laos only; total program cost per year has been compared to total benefits for SMEs in terms of value added induced by the training per year.

Total program cost: For Laos and Sri Lanka, the figures reflect the donor contribution and do not include contributions by local institutions. While in Laos there is not much other contribution, in Sri Lanka significant local inputs could be taken into account which would change the resulting figures. For Laos, the project start-up cost (years 1 and 2) is excluded, for Sri Lanka it is included. For Thailand, it is quite difficult to apportion total project cost to various project components and activities due to the complexity of the project. No figures can therefore be given. Exchange rates used are US\$1 = DM 1.43, 1.51, 1.74, 1.76, 1.85 for 1995-99 respectively.

Program cost per customer served: Laos – total program cost last 3 years : 647 people trained during last 3 years; Sri Lanka - total program cost : 2,039 people trained, 1995-Dec. 99.

Program cost per supplier assisted: Laos – 1 supplier built up; Sri Lanka – 2 suppliers 1995-97, 9 providers 1998-99.

Program cost per \$1 increase in supplier revenue: Laos – supplier revenue according to P&L statement for 1997-99; Sri Lanka – program cost up to Oct. 99 : 'total sales' of suppliers up to Oct. 99 as given above.

Customer satisfaction: data from routine monitoring surveys.

Customer use of BDS: In Sri Lanka business plan implementation in terms of start-up or expansion/ improvement are monitored; in Thailand the implementation of improvement/ expansion/ restructuring measures is monitored.

Change in value added: Figures are not available for Thailand and Sri Lanka; in Laos, estimates have been prepared based on sales and raw materials used.

Increase in sales, profitability, employment, investment: In Thailand and Sri Lanka data is collected as part of the routine M&E surveys. However, it should be noted that entrepreneurs often do not like to disclose sales, income and investment data; therefore data is normally incomplete and doubts remain with regard to the validity.

3. Review of proposed indicators and discussion of research questions (RQ)

Expanding the market for BDS

Market size: SMEs purchasing/ Market size: sales of BDS providers: Measuring the demand by and supply to SMEs of BDS is obviously useful. However, measuring sales to SMEs only is too rigid and does not reflect what is really happening in the market, as BDS are paid for by institutional clients, too, and public institutions are using own budget allocations for funding training. These are both part of the market, whether distorting or not. In the Thai example, public institutions subcontract training functions to freelancers or private sector providers. In Sri Lanka, the market for EDPs and related training is mostly an institutional market: Government departments, NGOs, donor funded projects buy EDPs, including CEFE EDPs. Among the buyers of EDP/ CEFE/ management-related training for SMEs in Sri Lanka are institutions like Industrial Development Authority, Southern Development Authority (SDA), North East Provincial Council (NEPC), Integrated Rural Development Projects (IRDPs) in various districts, supported by various donors such as SIDA, NORAD, NOVIB, GTZ, ADB, among others, Mahaweli Authority, Irrigation Management Division, Central Provincial Council, Ministry of Livestock Development and Plantation Infrastructure, Export Development Board (EDB), donors, NGOs and international organizations such as WUSC, Swisscontact, UNDP, UNHCR, Palm Foundation, Agromart, and other GTZ-supported projects. From the point of view of the training provider and its sustainability it doesn't matter much who pays for the service, as long as somebody pays. Both sales to

institutions and public budget allocations used should therefore be taken into account separately from sales to SMEs.

RQ: Which methodologies are in use to assess the size of the BDS market? In Laos, a Gemini survey was conducted. In Sri Lanka and Thailand, specific data on the total market in terms of SMEs demanding have not been collected.

RQ: Does assessing the market over the last year capture the impact of the program, or is a different timeframe more relevant? A longer timeframe will be necessary. In Sri Lanka it took us 4-5 years to get the present outreach.

RQ: How easy is it for suppliers to identify customers as SMEs? It is practically not difficult, as in our field large enterprises are not demanding this type of service anyway. But how relevant is it to clearly identify SMEs? If the customer paid for the service, there wouldn't be a need to confine it to SMEs.

Market penetration: The market share (in %) obviously depends on the way we define the target market. If the target market is defined in a narrow way, we will achieve high penetration and vice versa. Percentages will therefore not be comparable and might not be very meaningful if no standardization can be achieved.

RQ: What practical and valid methods can be used to define a target market? The most convincing targeting exercise was done in Laos, based on a Gemini survey, and selection of sub-groups of enterprises. Sometimes a smaller survey will also do.

Developing a high-quality, diverse, competitive market

Number of BDS suppliers: The indicator is straightforward. It can be complicated in special cases to distinguish between providers and facilitators: In the Thai case the public sector facilitators subcontract part of the training function and get at the same time involved in training provision with own staff, i.e. they are also providers. Freelancers offering their services to institutional providers can also be providers. In Sri Lanka the North East Provincial Council (NEPC) is conducting own CEFE programmes as well as funding (facilitating) those of other providers.

RQ: What methods can be used to identify the full array of BDS suppliers? The major institutional suppliers of entrepreneurship and management-related training for SMEs are known, if one is working in this field. A small survey asking knowledgeable persons in the field for information would be a reasonable approach to validate data.

RQ: Is the number of suppliers a significant factor in achieving high outreach? An adequate number of suppliers will be related to the market size. Apart from that: definitely yes – outreach will increase with the number of suppliers.

RQ: Is a high number always a positive outcome, or are there markets in which there are too many suppliers? It's probably like in any market: The market cannot absorb an unlimited number of suppliers. The criterion for an adequate supply would be that there is competition and still private sector providers make profits.

Number of BDS products: If we want to collect comparable data on different programs and BDS types, we will need some sort of more or less commonly accepted typology of BDS. We suggest that management/ investment/ entrepreneurship training be used as one broad category of BDS.

RQ: How easy is it to define a broad category of business development services and then define the number of different service types within this category? Is there enough commonality in

the way this is done to produce a comparable indicator? Not yet, but it can be achieved. It would probably help to develop a system of types and sub-categories of BDS, to agree on it, and then use it in identifying the number of services. Otherwise, any activity can become a new service. Basically, it seems to be a question of a pragmatic consensus.

RQ: Will common broad categories of BDS emerge? Yes, it should be possible to agree on the broad categories of BDS that are relevant. Defining a reasonable system of sub-types will need more discussion.

RQ: Is a high number for an individual program a good thing? We don't think an individual provider will be able to supply a high number of broad BDS types efficiently. Specialization is needed; building up too many functions in one institution will not serve the purpose of sustainability; too much complexity contradicts sustainability. But there should be diversity of sub-types of BDS: without a range of products, a private provider will not be able to capture a relevant proportion of the market. And people don't want to buy the same service all the time.

Well-distributed, wide price range for BDS, and average price: Price and price range for a BDS are obviously relevant variables for customer as well as supplier decision-making. However, the 'well-distributed, wide price range' is not a clear concept.

RQ: What methodology can be used to collect and report relevant private sector pricing information? a) A market survey or the more comprehensive Gemini survey can be used. One could tender certain types of services and compare the offers. b) Why should comparison of pricing information be confined to private sector providers? If there are NGOs and public sector institutions in the market, their pricing is part of the market and should be taken into account. There is some confusion in the PMF discussion when it comes to private vs. public providers and unsubsidized vs. subsidized prices: The PMF should measure and compare things as they are, and not only as we would like them to be. What is the use of comparing the 'average unsubsidized price in the market' with the (subsidized or unsubsidized) price as charged by the program or supported providers, if there is no such thing like an unsubsidized price in the market? The PMF should help in studying realities as they are. Then we can try to change them.

RQ: How can we be sure that the information is indicating a more competitive, varied market? We can't, as the 'well distributed, wide price range' is not an indicator, but an unclear idea that needs to be defined by indicators, if relevant at all.

Number and proportion of multiple-user customers: RQ: What is the most practical and valid way to assess multiple use? Providers may maintain a database of customers and thereby monitor repeat purchases. For a private provider, the administrative effort and cost could be substantial. Sometimes BDS providers, mainly in the public sector, register clients with them as a prerequisite of service provision. Then they know about repeat customers.

RQ: Is this a good indicator of the quality of service in the market? Multiple use measures customer satisfaction rather than service quality. The quality is only one factor influencing the buying decision. One could even argue that the high service quality donors want to establish is often not accepted by the markets. If we assume that the classical CEFE programme was something like the Rolls Royce among the EDP products (good, big and expensive), then today's CEFE programmes might be considered sort of VW Beetle products. But maybe people would be prepared to pay for getting bicycles. Taking into account the general reluctance of SMEs to buy consultancy or training services, a repeat purchase will definitely indicate some sort of customer satisfaction with the product.

RQ: Is it relevant for most service types? Not all services are needed all the time. But for most types, repeat purchases would indicate that customers find the service useful. In CEFE training we are moving away from the single product model to the multi-product model: 'bringing the customers in' with the typical CEFE product (e.g. NBC) and then providing them with a wide

range of other smaller products which suit their specific needs. If we do this well, then they should come back.

Market distortion: RQ: How easy is it to collect comparable 'subsidy content' data? Is it easier for some types of organizations than for others? Collecting cost and subsidy content data is easier if a project is working from within a provider than outside. Getting precise data is not easy, but reasonable estimates based on the available data should be possible. The dominant model underlying the PMF seems to be the idea of a donor project subsidizing a provider's services and thereby distorting the market. However, there are different types of subsidization to be considered separately: a) project funds are used to subsidize a service provider or a service; b) a public sector institution uses own budgets (plus potentially funds of the supporting project) to provide a service at a subsidized price to the SME customer; c) NGO providers use budgets given to them by various donors (plus potentially funds of the supporting project); d) private sector, NGOs and public sector providers sell a service to other institutions from public or private sector or to other donor projects, which thereby subsidize the price to the individual SME customer (combined or not combined with contributions from the supporting project). When it comes to collecting cost data, private providers might not like to disclose their profit margin, and public providers will not account for their overheads or even the labor of government officers; for NGOs 'total cost' as given in course budgets might come closest to direct and indirect cost of providing the training. In most cases comparable subsidy data cannot just be 'collected', but approximations are possible.

RQ: Is 'subsidy content' a good measure of 'market distortion', or is it better used as an indicator of provider sustainability? It does not measure provider sustainability, as providers can be sustainable with or without subsidies. The equation 'subsidized = unsustainable service' does not always work. The history of major markets in the developed world shows that subsidies can be quite sustainable. Projects can also support suppliers to diversify their institutional market, so that the project subsidy decreases but the 'subsidy content' remains the same. E.g. in the Sri Lankan case, subsidies from CEF project funds to the cost of training were cut down from 53% in 1995 to 22% in 1999. 'Subsidy content' comes closer to indicate 'market distortion'. However, there are again different cases: If everybody subsidizes, may be there is not much of distortion. If public or donor subsidies are equally available to a range of private or other sector suppliers competing for contracts, there is no distortion from the suppliers point of view. But it can be assumed that the higher the share paid by the individual client as compared to the institutional subsidy, the more probable it is that the customer gets a product he or she wants, and the provider services a client who wants the service, so that misallocation of resources is minimized.

Deepening the market: Reaching underserved groups

Extent of underserved market reached: The concept of 'underserved market' or 'underserved populations targeted' is ambiguous. It could mean a market not yet captured which has therefore high potential. Or it can mean specific groups which are targeted for political reasons (- because the government or the donor want it). Normally the latter is the case. It would then be more clear to formulate the indicator in terms of 'politically defined target groups reached' which is different from penetrating underserved markets. Targeting certain groups for political reasons can also be interpreted as a politically motivated market distortion.

RQ: How easy is it to disaggregate data on the number of SMEs reached by gender, type of enterprise, or other targeting information at the market and program levels? What are the most practical and valid strategies? At the market level a survey would be necessary. At the program level, some basic information related to relevant client groups and targeting are normally part of routine monitoring. A basic participants' survey at the start of a training programme is possible. As long as the project does or commissions this work, it will be done. Providers on their own might be reluctant to spend on data collection, entry and processing for these purposes which

are considered more relevant in the context of donor ideologies than for the business of the provider.

RQ: Is it feasible to disaggregate the potential market by gender and business type? Yes, it is just a question of how much one wants to spend for surveys. But how much targeting and disaggregation are needed? Basically this is a political decision. If we think in terms of the market development paradigm we could be happy to find SMEs who want to buy the services and can afford them. Too much politics in targeting is contrary to developing the individual customers market. Developing the institutional market has of course to take into account the policies of the institutional client.

Achieve supplier sustainability

Cost recovery of BDS suppliers: The indicator asks for cost recovery from SME client fees. While everybody feels that SMEs paying for the services they get is an objective we would like to achieve, it is logically irrelevant for supplier sustainability from what source the supplier covers its cost. Income is income, whether it comes from SMEs or from institutions. A cost recovery indicator for sustainability should therefore take into account all income sources of the provider, not only payments by SMEs. We don't blame European consultants for being paid e.g. by GTZ rather than by SMEs – so why should we blame Sri Lankan consultants for being paid by donors or their own Government?

RQ: How easy is it for BDS programs to allocate costs and revenues to specific services, programs, or SME clients? For supplier sustainability, functioning as a cost or profit center is important. If we expect any business to allocate its cost and revenues properly, why should BDS programs not be able to do it? BDS programs which are located outside the providers might not always get all relevant data on provider cost and income. But depending on the way they support suppliers they should know the budgets for the supported activities.

RQ: Is cost recovery a good proxy indicator for impact? No, it is hardly related to impact. But it is related to sustainability of the provider. However, for a private sector supplier, cost recovery is not enough. There should be a profit for the provider to continue. We have in Sri Lanka cases where private providers prefer other jobs to CEFE training because they are more profitable. If we are serious about private providers, why not make 'profitability' the indicator rather than cost recovery? Isn't it somehow funny that the PMF is very particular about subsidies, but expects private providers to supply at cost price? In a functioning market, this will not happen.

Improve program cost-effectiveness

Total program cost: Some more clarification would be useful, if we want to collect comparable data. Total program cost could be interpreted as the total donor contribution, if we are looking for something like 'the bang for the donor's buck'. It could in addition, and more reasonably, include partner government contributions to the program. More complicated is the question, whether third party contributions or payments by institutional clients for the providers' services are to be included. We feel that not.

Cost-benefit assessment - Total program cost : aggregate benefits for entrepreneurs in value added terms: RQ: Does the indicator help to assess total program activities? A cost-benefit assessment is obviously necessary and its application will increase cost-consciousness. The validity of the proposed indicator depends a lot on the extent to which value added can be more or less accurately estimated. If this data can be obtained, the attribution of increased value added to the BDS remains an unsolved problem; SMEs which did not consume the BDS might also increase value added in the same period. Or the other way round: If – as in the Thai case – production did not increase much due to an economic crisis, would it mean there were no benefits? What is the reference category the performance of SMEs which benefited from the service is compared to? As a number of assumptions will have to be made in the assessment, it is rela-

tively easy to produce artificial figures. Secondly, the short-term (within 2 years) benefit at enterprise level is not the only one to be taken into account in a cost-benefit assessment. There are other benefits on the institutional level which Technical Cooperation normally wants to achieve, e.g. sustained functioning of a supplier.

RQ: How easy is it to apply this type of cost-benefit analysis? In the Lao case, it was done, so it is possible. In the Sri Lankan case, we have doubts even in the sales data we get – what can we then expect from estimating value added?

Program cost per SME purchasing, per supplier assisted, per \$1 increase in supplier revenue from SMEs: RQ: Do these indicators reveal enough about a program to merit their inclusion in the framework? We feel they are useful and, first of all, they are easier to compute than program cost : value added. They will help to compare ‘cheap’ and ‘expensive’ programs, and we might learn from that. But supplier revenue should not be confined to revenue from SMEs, as there are other income sources, too.

Increase customer acquisition

Customer satisfaction with BDS: Percentage reporting ‘exceeded expectation’: RQ: Is this a valid indicator, especially in different cultural contexts? Will all programs report a 100% satisfaction rate? A customer survey to identify the degree of customer satisfaction is definitely a practical and useful instrument. Cross-cultural comparisons might be difficult or will at least need validation of research instruments. Based on experience in Sri Lanka, we would expect the ‘satisfaction rate’ to change with time: Immediately after a CEFE training programme one would get 100% satisfaction; after 1 – 1.5 years, people tend to differentiate much more. Results might also vary depending on what people have achieved in the meantime. If we want to collect comparable data, the procedures and time frames would have to be standardized.

Repeat customers: RQ: Is the term ‘repeat customers’ relevant for a sufficient number of services? How easy is it to gather these data? As mentioned above, this is in fact an indicator of customer satisfaction rather than of service quality only. In management/ investment training it is a relevant indicator, provided a sufficient number of different services/ training products are offered. With the number of customers increasing, private providers might find it costly to establish a system of gathering these data, if this is not donor-funded.

RQ: Is a repeat purchase ever a bad thing in practice? If somebody attended a Business Start-up Course 5 times without starting, we would probably assume that something is wrong either with the person or with the programme. If the person pays the full cost of the programme, then there is not much to worry about – some people like to watch the same movie over and over again.

Increase customer use of BDS

Percentage of customers who changed business practices as defined by the program: RQ: Is it possible to collect objective data on whether SME business practices changed? Yes; surveys on changes in various fields are conducted everywhere and all the time, so why not on changing business practices. Reliability and validity of data will depend on a clear definition of business practices and expected changes, on professional design of the survey instrument, and appropriate training of interviewers. There might be biases in the sense that SMEs don’t like to report that they did not use a BDS at all; but this happens in any survey and there are ways to countercheck it. Some professional inputs in developing appropriate survey instruments might be useful.

RQ: Is it possible to get objective data on whether the change resulted from the BDS? There are a more methodical and a more pragmatic approach to the attribution problem. From a researcher’s point of view, control group studies would be useful to find out variations in behavior

or performance of people who purchased or used a BDS and others who did not. Most practitioners consider this approach as 'too scientific', whatever that means (- science is not always *that* bad?!). Practically, we cannot expect BDS programs to start research projects as part of their routine monitoring. However, pilot studies in this field could contribute to our understanding of attribution. A more pragmatic approach would be to just ask people what they think they learned or benefited from a BDS, what practical steps they took and whether they think they did it as a result of the BDS. This is what the Thai project is trying to do. Again, professional survey design and testing will contribute to a reasonable data quality.

Investment and employment effects could also be surveyed as part of 'customer use of BDS'.

Increase customer benefits from BDS

Change in value added: RQ: What methodologies are available to collect SME financial data? Which are the most valid and practical? Is value added as easy to collect as sales? Is it more valid? In the Lao case, value added data was estimated; in Sri Lanka, we have a bit doubtful sales data. It is worth to try it with value added, because that is what we basically want to achieve at enterprise level through the use of BDS. May be it is easier on a sample basis than as part of routine monitoring procedures. We should avoid exercises of window-dressing with artifacts.

In general: While customer satisfaction data will be interesting for any enterprise selling a product or service, both customer use and customer benefit data of the PMF are relevant mainly because the SME customer does not pay the full price and donors want to know about impact. If we sold soap to a customer who pays for it we wouldn't doubt that he or she is using it, and we also wouldn't mind much if he or she did not. Probably, we also wouldn't do much research on the benefits of using or not using the soap. As in BDS promotion we are supporting provision of services the individual customer does not (fully) pay for, research on whether the service is used and what the benefits for the 'client' are helps to understand what we are doing. Not always do the partners in our projects share this interest in detailed impact monitoring. Thai colleagues have often asked: 'Are you doing this in your country as well?' We are afraid we don't.

4. Best practices

Deriving 'best practices' from studying 3 projects with very different environments and strategies is ambitious. The first thing to learn is that 'good practices' depend very much on environment conditions. Promoting CEFE-type investment or management training in Laos, where no provider existed for such a service, doesn't seem to have much in common with doing the same in countries like Sri Lanka or Thailand which have a tradition of EDPs and a market for this type of BDS. The second fact is that all 3 projects analyzed here promote highly subsidized entrepreneurship and management training and are not very sure about how to increase cost coverage from participants' contributions in the markets they are working in. Thirdly, we think there are some 'good practices', and we may leave it to others to decide whether these practices are 'best'.

With regard to market development and outreach, a better understanding of the market is obviously a crucial need. What exactly is our target market – in terms of individual entrepreneurs as well as institutions – in entrepreneurship and management training for SMEs? What products do people – entrepreneurs as well as institutions – want to buy? The Lao project has gone a long way towards understanding the market and its segments. A systematic targeting exercise was done based on a Gemini survey. The project has also systematically targeted repeat customers and prepared training products for repeat use. To survive in the market, providers need a range of products somebody pays for. All 3 projects, but mainly those in Thailand and Laos, have developed a diversified range of training products adapted to the perceived needs in the given environment.

All 3 projects emphasize the importance of and insist on participants ('clients') paying for the training. Details vary with the environment conditions. The Sri Lankan project had from its start a strong orientation towards developing the institutional market for entrepreneurship and management training. It supports participating providers to sell their training products, mainly to institutional clients. A number of government agencies, NGOs and donor-supported projects are buying training from the providers supported by SLGCP. All projects experimented at some stage with increasing participants' fees. SSIPP has achieved the highest average degree of cost-covering from SME contributions in terms of direct training cost.

The Sri Lankan project achieved a breakthrough in terms of outreach when it diversified the implementing structure to work with a total of 10 private, NGO and public providers in its second phase. The number of people trained exploded as compared to the first phase when the project was working with just 2 providers. The Thai project is similarly using a number of public and private training providers for delivery. In Laos, establishment of the first and only private provider of investment/ management training services by SEDP in a hostile environment is considered a major achievement.

Regarding supplier sustainability or sustainability of the suppliers' CEFE activities, the 3 projects have adopted different strategies. In the Lao case a detailed P&L monitoring of the project which was to be transformed eventually into a private BDS provider has been set up, and the provider has been supported to establish a number of services to be sold to various clients. Apart from management training for SMEs, the private provider is selling other products to institutional clients, mainly donors, and is thereby in a position to operate at breakeven or profitably. In Sri Lanka, a 'decreasing subsidy policy' has been built into the design of the 2nd project phase cutting the subsidy from SLGCP funds from up to 40% of training cost after deduction of participants' fees in 1998 to 30% in 1999 and up to 25% in 2000. The actual average subsidy content from GTZ-SLGCP funds has thereby come down from 53% in 1995 at project start to 22% in 1999. The participating providers are using the availability of this GTZ contribution in marketing their CEFE training services to institutional clients and at the same time know and can take into account the extent to which it will gradually decrease. Sustainability of the suppliers' CEFE activities is ensured through substantial 3rd party contributions by institutional clients rather than cost-covering from SME clients' fees. Similarly, in the Thai case substantial contributions are mobilized from the Thai government partners and participants' fees, and the GTZ contribution has been limited to an average 23% of direct training cost. The Thai case shows that in a country with relatively strong government structures it can be a feasible option to count on a relevant public contribution to the sustainability of providers and services established. We feel that the probability of an institution like DIP in Thailand ensuring continuation of a service like CEFE management training might for the next 5 years be higher than that of Thai SMEs being so impressed by the Market Development Paradigm that they will fully pay for the BDS. We consider all these different experiences of the 3 projects 'good practices' and would at the same time support all efforts to further develop the market of SME clients as opposed to institutional clients.

Regarding cost-effectiveness the Lao project made a systematic attempt at impact measurement in value added terms. The result, an ROI of 194% when comparing total program cost per year and annual benefits for entrepreneurs, is impressive. The Sri Lankan case shows how cost-effectiveness in terms of program cost per customer served and per supplier assisted improves with the diversification of the provider structure and increasing outreach.

For impact measurement and assessment of SME customers projects have again adopted different systems. The Lao project focuses on value added, the Sri Lankan project monitors business start-up and expansion rates and has customer satisfaction, sales, investment and employment figures. The Thai monitoring is focused on customer satisfaction and use of training results, apart from start-up and expansion rates. All have good to reasonable 'success' figures. Strictly speaking, however, the attribution problem remains unsolved. It probably cannot be

solved in the frame of normal project monitoring but would need more specialized research if we really want to know. Even value added estimates will probably be more reliable and valid if they are prepared on a sample basis through sort of research activity rather than in routine project monitoring.

With all these 'good practices', where should we go from here and where is the room for improvement? We feel that market development first of all requires a better understanding of the market. More market research rather than 'needs assessment' will be useful to find out what exactly the SME customer wants and what products he or she is willing to buy. That might change our range of training products. Based on market research, more systematic identification of target markets is possible. We have to further develop the products, which sell in the SME customers market. We could do active marketing of BDS rather than just create or support the capacity to supply. And if after all these efforts the SME customer still doesn't pay the bill, we have to accept one of two things: either that the service we find important is not needed, or that the service is useful but is not fully supported and sustained by market forces, and public sector intervention and funding are required.

There is a joke concerning the much-debated subsidy issue: A European consultant tries to convince an Asian minister not to subsidize food prices. The minister replies that according to his knowledge European agriculture is well subsidized. The consultant states: 'We can afford it, that makes the difference.' While in Europe too some things have become less affordable, we could try to keep the BDS discussion free from double standards. If we want to set up a business in Germany, we can for example enroll in a University and listen to lectures about entrepreneurship. We will get advise from Chambers or can attend courses organized by Chambers. We will get risk capital from specialized institutions. These are only a few of the services, which are available. We will have to pay fees for that, but they will not cover the cost of the service or the full risk premium of capital. If we are unemployed we can probably spend weeks or months in courses to become self-employed and be paid an allowance for that. While all of us would agree that market development for BDS is necessary and customers paying for what they want is a good mechanism to optimize resource allocation, the fact that all over the 'developed world' public funds are used for business promotion could indicate that after all efforts a need for public support might persist.

Appendix 1

Annual Profit and Loss on Operations of the Small Enterprise Development Project, Laos

All figures in US \$

Year	Over-heads	Fees PS*	Fees GTZ	Fees Party	3 rd Total Fees	Surplus	% Cost Recovery
1997	67450	1370	18400	8890	28660	-38790	42.5
1998	82749	1785	20960	42090	64835	-17914	78.4
(for 9 months) 1999	70212	2040	31360	37751	71151	939	101.3
Totals	220411	5195	70720	88731	164646	-55765	
Source of Fees %		3.2	43.0	53.9	100		

* PS is Training fees collected from the private sector

Appendix 2: Abbreviations

ADB	Asian Development Bank
BAAC	Bank of Agriculture and Agricultural Cooperatives
BCS	Business Consultancy Services
BDS	Business Development Services
BMB	Business Management Bureau
BRACE	Business Restructuring and Competency Enhancement Workshop
CEFE	Competency Based Economies Through Formation of Enterprise
CMU	Chiang Mai University
CPEPC	Central Province Enterprise Promotion Center
DIP	Department of Industrial Promotion
EC	Entrepreneurial Competencies
EDB	Export Development Board
EDC	Enterprise Development Consultants
EDP	Entrepreneurship Development Program
FC	Full Course
GDP	Gross Domestic Product
GTZ	German Agency for Technical Co-operation
IDB	Industrial Development Board
IPC	Industrial Promotion Center
IRD	Integrated Development Projects
IRD	Integrated Rural Development Project
ISB	Industrial Services Bureau
ISMED	Institute of Small and Medium Enterprise Development
M&E	Monitoring and Evaluation
NBC	New Business Creation
NEPC	North East Provincial Council
NGO	Non Governmental Organization
NIBM	National Institute of Business Management
NORAD	Norwegian Agency for Development Cooperation
ODA	Official Development Assistance
PMF	Performance Measurement Framework
RDD	Regional Development Division
ROI	Return on Investment
RQ	Research Questions
SBM-C	Small Business Management on Cottage Industry
SBM-EMM	Small Business Management on Export Marketing Management
SBM-FM	Small Business Management on Financial Management
SBM-HRM	Small Business Management on Human Resources Management
SBM-MM	Small Business Management on Marketing Management
SBM-MM	Small Business Management on Production Management
SDA	Southern Development Authority
SEDD	Small Enterprise Development Division
SEDP	Small Enterprise Development Project
SIDA	Swedish International Development Authority
SLBDC	Sri Lanka Business Development Center
SLGCP	Sri Lanka German CEFE Program
SMBME	Small and Medium Business Management and Expansion programme
SME	Small and Medium Scale Enterprise
SPEED	Strategic Project Enhancement for Enterprise Development
SSIPP	Small-Scale Industry Promotion Project
UN	United Nations
UNDP	United Nations Development Program
UNHCR	United Nations High Commissioner for Refugees
USAID	United States Agency for International Development
WUSC	World University Service of Canada