

A market-based approach to BDS:
Insights on sustainability gained in the FIT Project
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This Paper outlines experiences gained in providing BDS through private-sector channels, tailored as closely as possible to the market demand for specific services. The objectives have been to formulate services which could be provided profitably, and to stimulate provision of those services by entrepreneurial providers. Services are listed, for which small-scale entrepreneurs are willing to pay the full cost; early experiences in commercialising these services are also described. The Paper draws on lessons learned in Africa, Asia and Europe.

1. Introduction

The FIT project² started in 1993 to ask the question: how can business development services (BDS) be offered to small enterprises in ways which are financially sustainable, and even profitable? This sharp focus was considered to have the following advantages:

- where BDS are dependent on external subsidies, their outreach will be limited by the amount of subsidy available. Given the high level of unemployment and under-employment in many countries, this limit to outreach is important³; if BDS can be provided in ways which are financially sustainable (and even profitable), then they can in principle be copied within the private sector, and so reach a much higher proportion of the target group
- donor agencies have become increasingly sensitive to the suggestion that, in some cases, all traces of the project disappear once their funding has come to an end. While the topic of sustainability has many dimensions, the financial viability of the service provider is clearly an important aspect
- the private sector is so complex that it is often hard to quantify impact with any degree of certainty. The willingness of small enterprises to pay the full cost of the service on a commercial basis may be a reasonable proxy or secondary indicator of impact

The importance of financial sustainability is underlined by the success in recent years of methodologies for the provision of financial services to small enterprises; these methodologies have shown that entrepreneurs are willing to pay for services which are closely tailored to their needs. FIT therefore set out to determine how this insight might be applied in the field of BDS. It focussed in two specific areas, around which this Paper is structured:

- what BDS are in demand? How can these services be defined and developed, so that they closely match the perceived needs of entrepreneurs? (the 'micro' level)
- how can these services be offered, so that the prospects for sustainability are maximised? (the 'meso' level)

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²'FIT' started as an action-research project, jointly implemented by the ILO and a Dutch NGO called Tool; financing was provided by the Government of the Netherlands. More recently, the insights gained have been replicated with funding from other agencies, including the Government of Austria and UNDP.

³A recent study in Dhaka, Bangladesh, for example, found that only 2% of the BDS accessed had been provided by a purposive support organisation. Most had been provided by suppliers, customers and competitors (van Bussel, 1998)

In order to keep as open a mind as possible on the types of BDS in demand by small-scale entrepreneurs, a very broad definition was adopted by FIT; this flexibility ensured that innovative possibilities could be explored. Thus, any non-financial support service needed by an enterprise in its operations was included; the definition was not limited, for example, to only those services which enable an enterprise to develop and grow.

Most of the experience reported here was gained in Africa, but related insights and lessons from Asia and Europe are also included; many of the principles developed through this work seem to be applicable to business development work anywhere, since they draw as much as possible on the fundamental commercial realities of running a small enterprise. Indeed, the challenge has been to find ways of working within the private sector, rather than in parallel with it. This seems to be the key to achieving the scale and dynamism required.

2. What BDS are in demand?

The design of many projects is based on a survey of perceived needs among entrepreneurs. There may also be a set of methodologies which have been successful elsewhere, and which are now to be adapted to local conditions. Generally, there is also a partner organisation already in place, with its own views on project design. It is therefore, in practice, not easy to launch a project with a completely open mind about what services may be in demand. In particular, and while it is vital to understand the perceived needs of entrepreneurs locally, major surveys of perceived needs can suffer from the following drawbacks:

- it is very difficult for entrepreneurs to give a view on whether or not they would like (and even pay for) services which they have never seen before; such a survey will therefore not reveal much about the potential for innovative BDS
- developing economies can change rapidly, and the evidence suggests that the priorities of entrepreneurs depend on the macro-economic conditions at the time; a survey is only a 'snapshot' at one particular moment, and a project built on its findings too rigidly may find that it lags behind perceived needs
- surveys often adopt a certain definition of BDS, unintentionally excluding some innovative support services with high potential

Similarly, if the project already has a methodology which has been successful elsewhere, experts must then make a link between the expressed or observed needs, and the existing methodology; the subsequent project may then need a mandate to 'educate' the target group on the need for this methodology. This can apply even to the basic format; for example, many owners of very small businesses are sceptical about the desirability of formal training, and projects often have to work hard to convince such people of the merits of investing their time and energies in such training.

This is important, in that training is the most important single BDS in terms of development financing, and it is often provided in quite formal ways. Indeed, BDS generally seem to have clear roots in services developed for larger companies in industrialised economies; while some modifications have been made along the way, formality still prevails. FIT therefore decided to adopt a different sequence in identifying BDS:

- starting with a completely clean sheet of paper, FIT listened very closely to entrepreneurs, in

order to discover exactly what they considered to be their constraints, and what types of BDS they might be willing to pay for, in addressing those constraints

- starting points identified in this way were then developed through dialogue, drawing cautiously on ideas and experience in BDS provision by the for-profit private sector in other countries
- the services identified through this dialogue were then marketed on a pilot basis; initial offers were partially subsidised, on condition that the entrepreneur clients gave feedback on the design of the service
- the design of the service was then modified as quickly as possible, in response to this feedback, so that it could conform more closely to what entrepreneurs wanted to pay for

This change in approach brought with it some rather profound shifts in the way of working. For example, entrepreneurs were no longer beneficiaries, carefully selected to receive largesse; they became discerning (and often supportive) clients. No longer was it so easy to probe into every aspect of their lives in the quest for impact; after all, they had purchased a service, and had no obvious obligation to reveal every personal detail as well. On the other hand, communications became much easier; entrepreneurs have little idea what is meant by terms such as ‘cost recovery’ or even ‘sustainability’, but they can readily relate to the aim of making a service profitable.

The services which emerged from this process had their roots in one of the following areas:

- services which entrepreneurs were already providing to each other, on an informal basis, and which no-one had thought to formalise
- services already provided within the private sector, often formally, but which had been largely ignored by development agencies
- services already provided by the private sector in industrialised countries, but not generally seen yet in some developing countries

Examples are given below of services in each of these categories.

2.1 **Can informal BDS be formalised?**

A close examination of services which entrepreneurs already consider of value revealed that they intuitively felt that they would benefit from increased contact with other entrepreneurs, particularly those enjoying some success, and based outside their immediate locale. Often, they did not have a clear idea of what the likely benefits of that contact would be, but demand was certainly strong.

There were many ‘clues’ to this; for example, one of the few BDS already provided by associations of small businesses is the chance to visit other groups and associations, for the exchange of experience, ideas, knowledge and contacts. This was remarkable, in that associations in Africa often seem to have their roots in mutual support and social gatherings, rather than in the provision of BDS. Another indication came from development agencies providing micro-finance; one of the requests most commonly articulated by their clients was noted to be the chance to visit other clients, elsewhere.

FIT therefore offered the chance to visit other businesses, to explore whether this could form the basis for a new industry, tentatively named 'business tourism'. Early experiences were not encouraging. The initial 'offer' was for individuals who wanted to visit other businesses; even where some subsidy was available, uptake was disappointing. Close examination revealed the following reasons for this:

- entrepreneurs (and particularly women) were not keen to travel on their own to a new place, even where there was a courier providing introductions
- entrepreneurs were reluctant to pay (for them) serious money to make a visit, without some assurance that they would gain valuable exposure and meet the right people

The first concern was easily addressed; group tours were launched, and up-take was greatly enhanced. The reasons for this seemed to be partly cultural, and partly practical; clients felt that going as a group made the trip more likely to be rewarding (or at least enjoyable), while reducing the potential hazards. The second concern was addressed through careful marketing, which also made a tremendous difference to the real demand experienced. Publicity became rather specific; for example, the chance to watch someone making solder from old batteries proved to be very attractive for metal-workers.

Making these changes made the visits more attractive, and experience has now been gained with over 1,400 trips in six countries in East and West Africa. Entrepreneurs are willing to pay the full price for such trips, providing that the format and marketing are right, and that costs are contained. It has become clear that an external agency can add value here, since otherwise entrepreneurs find it difficult to go outside their immediate locale.

It is also clear that, as with micro-loans, such visits are only of interest to the smaller enterprises; larger enterprises have their own networks (Rotary, Chambers of Commerce etc.) through which to achieve such exchanges. It is also clear that, when they need to, entrepreneurs with small businesses can find the sums required to make such tours viable; demand is strong for tours costing \$100-200 per person.

The aim of this work was not simply to create a new business opportunity, but rather to define a profitable service which also had substantial development impact. Willingness to pay is important, but FIT also looked at the impact which these visits achieved. Actually, similar visits have been used for years in agricultural extension, albeit in highly subsidised ways, so it seemed reasonable to suppose that some impact could also be achieved through the promotion of business tourism.

External evaluations have indeed found a wide range of benefits among visiting entrepreneurs; the most frequently cited included new production processes (including safer working practices), new product designs, new sources of spare parts, improved relations with customers and employees and increased self-confidence (Hileman, 1995). 80% achieved greatly increased sales (more than 45% improvement), spending the extra profits on business expansion (58%), school fees, clearing debts, getting married, land or livestock. On average, each employed 2.5 additional staff.

Given this wide range of benefits, it is impossible to fit business tourism within the traditional categories of BDS; for example, it is not exclusively training, nor is it technology transfer, although both are very possible.

In addition to business tourism, there are many services provided informally, and which could perhaps be provided more formally in the longer term. For example, entrepreneurs depend on information and advice gleaned from family, friends, suppliers and customers (in small enterprises, the four groups often overlap considerably). The information and advice provided is often of poor quality, relating only to short-term needs and generic areas rather than to specific problems and opportunities (Allal et al, 1997).

FIT has therefore experimented with the facilitation of forums in which entrepreneurs can communicate more effectively with customers and traders. For example, a sequence of meetings was set up between groups of metal-workers and groups of farmers in western Kenya. Seven months after the sequence had started, a range of innovative, agriculture-related equipment had been designed, and sales were strong; on average, each participating enterprise had sold new types of equipment, worth \$700 (KIC-K, 1996).

This experience showed that small-scale entrepreneurs can be innovative, designing and developing new and improved products which their customers want to buy. A key constraint in this process seems to be the lack of opportunities for constructive communication with those customers, on product design and the optimum quality-price mix. When those opportunities are provided, small enterprises can respond effectively (Tanburn, 1996). The process has now been formalised as a new service termed User-Led Innovation (ULI); it is presented as a new training 'product' for existing, for-profit trainers in the private sector. These trainers are profiled in the following Section.

2.2 Existing BDS: More formal but still neglected

Many BDS are provided to small enterprises by the private sector, but have not been incorporated into project design on a widespread basis. The traditional apprenticeship system, for example, probably provides more vocational training than all of the formal institutions combined, in many countries, but only a few projects have sought practical ways in which to enhance that existing system. Similarly, FIT has found, through detailed surveys in Uganda and Zimbabwe, a thriving private sector, providing training to small-scale entrepreneurs on a for-profit basis in a wide range of skills.

In Uganda, FIT identified 160 independent trainers and 89 small-scale private training institutions. In Zimbabwe, 90 small training businesses have been identified; cross-checking with a DFID-supported study (Bennell, 1997) revealed an additional 32. An active effort was needed to find these trainers; they often only advertise by word of mouth, as they cater for training needs in their immediate locale. They may also be apprehensive about the time-consuming registration requirements, should they enter the mainstream training sector. As a result, the numbers reported above probably under-state the size of the sector.

These 'back-street' training companies offer a wide range of courses, covering both business management skills (accountancy, marketing, import-export trading, clearing and forwarding,

business planning and administration etc.) and vocational skills (hairdressing, tailoring, hotel and tourism, food production, wood and metal work etc.) A broad summary of the findings in the two countries is provided below; it is somewhat simplified, in that it groups together wide ranges of course content and format, level, course fee, full-time or part-time training, etc. Nonetheless, the table provides an interesting picture; some results from a related survey (Bennell *et al*, 1998) in Tanzania are included for comparison.

The numbers presented below point to a few trends. Firstly, more courses were found in Uganda; this might be partly because public-sector provision is less developed, and partly because the regulatory environment in Zimbabwe does not make life easy for the smallest trainers. Secondly, there is substantially less management training on offer in Zimbabwe, but proportionately more training available in computer-related skills. The lower offer of management skills may again be because the large-scale, formal training sector is more developed in its offer of management training in Zimbabwe, than in Uganda.

Meanwhile, the offer of computer training in Uganda is hampered by a number of factors (not least the quality of the electricity supply). The focus in Zimbabwe on dress-making and tailoring skills is remarkable, whereas Ugandan trainers are offering a much broader range of vocational skills. Tanzania has more of a spread of vocational skills, and indeed a greater emphasis on vocational skills generally.

Because of the existence of this training capacity, FIT has not launched any training services aimed at small enterprises directly. Instead, it has offered Training of Trainers (ToT) courses to the private trainers, and these experiences are described in Section 3.2 ('Strengthening existing BDS providers').

Courses provided by small-scale, for-profit trainers

	Uganda	Zimbabwe	Tanzania
Number of courses surveyed	352	167	55
Management-related skills (% of total courses)			
Business mgmt. and admin.	17	5	
Marketing	8	6	
Book-keeping, accounting	17	1	
Misc. specific management	3	0	5
Total management-related skills	45	12	5
Secretarial (%)	12	17	11
Computer-related (%)	10	35	31
Vocational skills (%)			
Dressmaking, tailoring etc.	5	27	16
Woodwork	9	1	2
Metalwork	6	1	3
Mechanics	4	3	16
Building, electrics, other voc.	9	4	16
Total vocational skills	33	36	53
Totals	100	100	100

2.3 BDS already provided by the for-profit sector elsewhere

It might be imagined that BDS provision in industrialised countries can offer useful insights and pointers for providers in developing countries. FIT therefore made a preliminary study of BDS provision in the UK, with financial support from DFID (Tanburn, 1998). One of the most outstanding observations from this study was the contrast between publicly-funded BDS providers in the UK, and donor-funded provision in developing countries. For example, one UK provider reported difficulties in marketing its services, since they were provided free of charge, and were therefore perceived to be of low value. Another was only just starting to collect monitoring data on the impact of its services.

This contrast is not limited to the UK; a comparative analysis of support for service providers in the Netherlands and Zimbabwe, for example, noted a greater emphasis in Zimbabwe on financial sustainability (van den Berg, 1995). Publicly-funded BDS provision in industrialised countries has often been designed with different objectives in view, and may not always be considered to have been particularly successful, even in its home environment (Havers, 1998).

The study tour did note, however, a large number of other BDS, provided on a commercial basis;

they included:

- publication of magazines, aimed at growing small enterprises, and generating revenues through the sale of advertising to larger companies, and/or diversification into contract publishing and other services
- organisation of regional, multi-sectoral exhibitions for small enterprises
- support services provided as part of franchise packages
- licensing of flexible office and workshop space to small enterprises
- publication of a CD-ROM about local businesses, with sponsors providing the content, about services provided, etc., and also paying for its inclusion

In addition, two services were studied, which had only recently been launched, but which were showing high potential for commercial viability:

- organisation of events which give aspiring SME suppliers the chance to have interviews with corporate buyers from large companies
- events where training providers make short presentations about their courses to SME visitors; training providers pay for the opportunity to give these 'taster' sessions

All of these services probably have the potential to be introduced commercially in developing countries. The service selected by FIT for pilot introduction was that of the publication aimed at the small enterprise market, in terms of both information and advertising. The very wide range of publications in industrialised countries, catering for the marketing and information needs of small enterprises, is impressive. These publications include both specialist trade journals and free (or low-cost) publications carrying a large number of classified advertisements.

Meanwhile, small enterprises in developing countries can face formidable constraints in both obtaining commercially-valuable information, and in reaching new markets. In particular, the cost of reaching new markets can be very high, mainly because there are few established channels through which to do so. Those channels (national newspapers, television etc.) are also rarely focussed sufficiently on the target groups they need to reach.

In several countries in Africa, FIT has therefore reviewed demand for both information and for advertising among small enterprises; in all cases, demand has been found to be strong. Entrepreneurs report that the chance to advertise outside their existing customer base (and to include helpful information, for example on how to find their business) is of great interest. Similarly, larger companies selling goods and services into the small enterprise sector appear very interested to purchase advertising focussed at that target group, since they currently have no way to do this.

In order to test the willingness of entrepreneurs to pay for information, FIT organised the sale of booklets containing equipment designs for \$2 each, through street hawkers to small enterprises. A substantial number of entrepreneurs bought these booklets, which was perhaps unexpected (since they had not requested the information). An evaluation some months later found, however, that none of the purchasers had yet used the information in their businesses. While perhaps disappointing from a development perspective, the experience was encouraging in that it showed

that entrepreneurs were willing to pay (for them) serious money for information which they had not requested, and which they had no immediate intention of using (but which they presumably retained for future reference).

Learning from this experience, FIT is launching, or planning to launch, advertising papers in four countries; early sales of advertising have been encouraging. In general, the papers are following a similar format. Large copy advertisements are sold to larger enterprises at rates which are similar to those of national newspapers (but offering more specific targeting); these sales generate most of the publication's income. Smaller, classified advertisements are available at much lower costs. The papers are distributed throughout the local business community at a cover price which covers the costs of distribution (mainly through street hawkers).

One important feature of these operations is that they are not commercially viable through the contributions of the target group alone. Large companies wishing to access the target group as a potential market become the chief source of revenue. Since this group is acting on a commercial interest (rather than out of philanthropy, for example), it seems likely to assume that they will continue to fund the venture, for as long as it provides them with an important service. It seems fair, therefore, to include this type of funding within the category of 'sustainable'.

Clearly, however, there are many other BDS which could be offered commercially, and which could assist large numbers of small enterprises to grow, and so to employ more people. Some of these services would probably be introduced by the private sector in due course; a major role of the development agency in this case is to accelerate the process. Clearly, at the same time, the service can also be designed so that developmental concerns are also reflected in its delivery. The key factor to bear in mind here is that a very large number of people are involved in small enterprises; services which cater exactly to their needs are therefore tapping into a large (and still largely unreached) market of great commercial significance.

3. How can BDS best be provided, to achieve sustainability?

Most of the experiences outlined above were gained while working through NGOs, but a number of limitations were experienced in this approach:

- many NGOs have rather focussed outreach and target groups, for example geographically within a specific town or province; 'scaling up' of BDS to national and even international level therefore becomes difficult. In addition, few yet aim to develop and deliver innovative BDS as part of their core mandate
- the running costs and culture of NGOs may be influenced (albeit unintentionally) by relations with external funders and other collaborators, and are not necessarily very close to those of most small enterprises locally
- NGOs are perceived by entrepreneurs to non-profit, receiving substantial external funds (which are often reported in the newspapers, and therefore widely know about). Many entrepreneurs feel strongly that such organisations should not be charging substantial fees for their services, but should rather be passing on the largesse from which the NGO itself is benefiting

These arguments - and particularly the last one - seemed to provide a compelling rationale for exploring other vehicles, through which to deliver services to small enterprises. After all, the

NGO format originated in industrialised countries, where the dispensers of charity wanted to be sure that their generosity was not being abused, through the enrichment of one company or individual. Colonial legal systems created the vehicle also in developing countries, and the NGO format reassured donors and their constituencies, not least because it related closely to their experiences at home. In addition, it was considered sensible to provide core funding to deserving organisations, and non-profit status made such core funding much easier to justify. Recently, however, the soporific effect of such funding has been widely noted.

Indeed, the world of SED has changed in many respects, and the time is therefore ripe for reviewing the ways in which services are delivered to small enterprises. In this context, it is interesting to note that NGOs offering financial services are also examining ways in which they can operate more within the private sector, for example through the establishment of banks. So FIT also started to address the question: how might the improved provision of BDS be stimulated through other means, and particularly through the private sector? Might not donor funding be provided to private service providers, to deliver measurable services? Thus, contracts would be strictly performance-based (as they already are with consultancy firms), rather than containing elements of core funding. They would also be designed with an exit strategy in view, probably articulated in the form of a business plan, showing the point at which the BDS was expected to become profitable.

FIT was therefore looking for BDS delivery channels which promised the following characteristics:

- an easier relationship with the private sector, for example using the same vocabulary, and less of the specialised development vocabulary
- costs more in line with local small enterprises, than those of national or international agencies
- service providers with which entrepreneurs would readily accept the need to pay the full cost
- performance which was sufficient to reassure any external funder that their funds were being well spent
- highly flexible service provision, allowing the design of the BDS to be adjusted rapidly in response to market demand
- for those services which proved profitable, the potential to scale up service provision to a level where BDS were reaching a substantial proportion of small enterprises nationally
- means to provide technical and financial inputs, which would build on local initiative, rather than stifle or displace it

Experiences gained in this search are outlined below, under two headings:

- the introduction of a new service, not previously seen in the country
- the strengthening of existing private-sector delivery capacity

3.1 Introducing a new BDS on a commercial basis

The introduction of a new BDS on a commercial basis carries the potential of building on local entrepreneurial talent. But the availability of temporary subsidies carries with it the danger that this introduction displaces existing initiatives within the private sector. An important first step, when introducing a new service, has therefore been to mount a thorough search for anyone who

is already offering a similar or related service. This search can actually be a part of the search for a local partner or entrepreneur, with whom the service can be introduced.

To this end, FIT has advertised extensively in national papers for partners; it has also run competitions, for people with the best ideas for new services. It has undertaken extensive searches through word of mouth, and by contacting local companies which seem likely to have related interests (e.g. local travel agencies, in the case of business tourism).

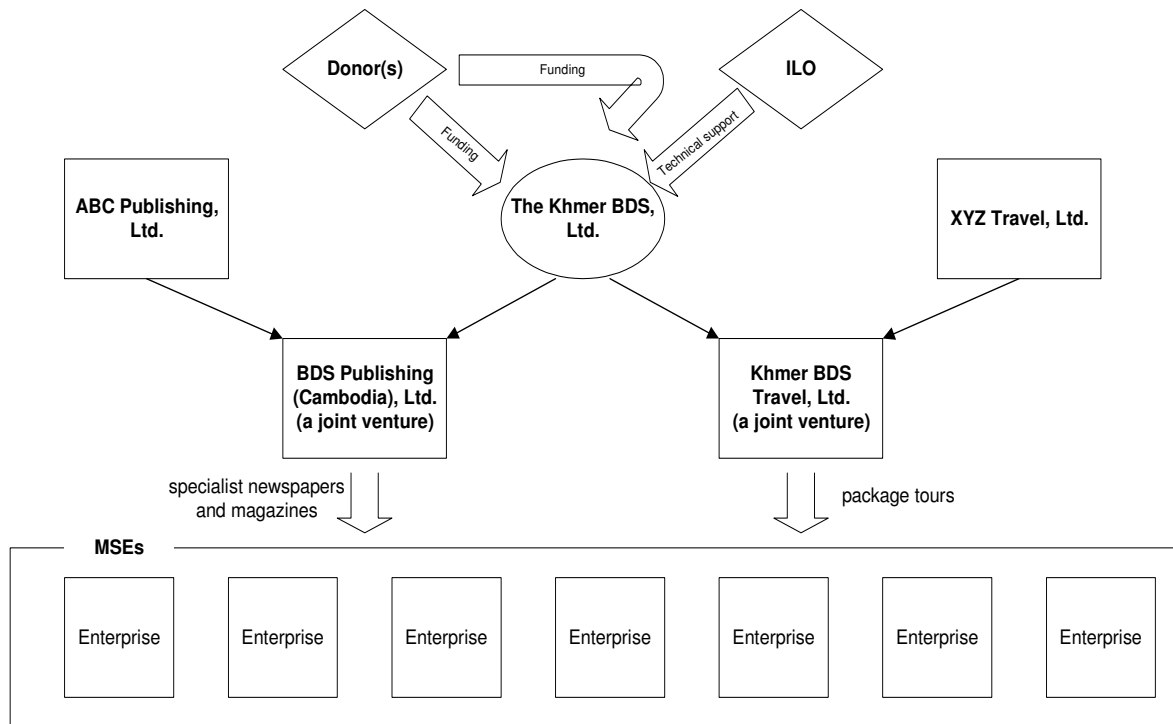
In all of this, FIT has moved away from the appearance of a 'project office' and more towards that of a foreign investor - looking for opportunities to invest in BDS which can ultimately be commercially viable. An important point to note about this approach is that it requires a funding agency which is not insistent on seeing its name and support credited at every opportunity. Commitment by the funding agency to the basic concepts involved is therefore vital to success.

The search for a local partner, with whom to launch a new service, has generally been formulated as a joint venture between the project office and the local entrepreneur (or company). In this context, the following criteria have been used:

- the partner should be sufficiently interested in the venture to provide a substantial proportion of the start-up capital required (25%, say), either in cash or in kind
- the partner should also be bringing expertise, contacts, infrastructure and other elements which the development agency does not have, and could not otherwise readily access
- the partner should also have a good track record of business success and integrity; it should not be entering the joint venture as a failing business looking for a lifeline, but rather as a successful business looking for opportunities for expansion
- ideally, the partner should also be a small enterprise; costs are likely to be lower, and understanding of the sector to be higher

Where a suitable partner is found, and a joint venture launched, the project structure is illustrated by the example in Figure 1, below, drawn from Cambodia.

Figure 1: Illustrative diagram of the project structure adopted



This approach has already yielded a number of benefits. Services have been launched fully within the private sector, drawing on local expertise, investment and other inputs. This seems to be providing good value for money, while also maximising local ownership. Furthermore, the appearance to the client accessing the service is definitely one of a private company. Implementation has proved to be slower, however, than if FIT had simply delivered the services itself, or hired contractors; finding and screening potential partners can take several months. This longer timescale is an important factor to note, for future planning; as a result, no provider is yet showing clear profits.

Once launched, joint ventures can also require considerable management inputs from the project office, although the external financing required can remain quite modest (\$40,000 is probably sufficient for each venture). These funds represent the input required to persuade a local entrepreneur to enter a new sector with a new service. Once the joint venture becomes profitable, returns on the investment can be used to launch new ventures and services; it is anticipated that the services themselves may also be replicated through franchising to other local entrepreneurs. FIT continues to implement this approach on a pilot basis in a number of countries.

3.2 Strengthening existing private-sector BDS providers

As outlined above, FIT has devoted some time to trying to identify for-profit service providers locally (excluding those accessing public funds in one form or another). As a result of these searches, FIT is working with existing private-sector trainers of small enterprises, in Uganda and Zimbabwe (see also Section 2.2). In both of these countries, the trainers have expressed strong demand for support in up-grading what they were able to offer to small enterprises. FIT has

therefore offered training-of-trainers (ToT) courses in two ‘products’: Rapid Market Appraisal (RMA) and User-Led Innovation (ULI).

Both courses are short, and show entrepreneurs how to become more market-oriented in their business; RMA covers the basics of market research for individual entrepreneurs, while ULI provides a setting where groups of entrepreneurs meet with groups of their customers. Despite their very modest incomes, trainers have been willing to pay around \$40 per ToT course in Uganda; initial evidence suggests that some have then been able to market their new products on a commercial basis to local entrepreneurs.

The interface between this part of the private sector, and development agencies, has not always been straightforward. For example, mixing private-sector trainers and NGO trainers in the same ToT courses has led to complications, because of the different educational standards and financial expectations. Similarly, development agencies providing technical support for ToT courses may require trainers to provide extensive monitoring reports post-training. Meanwhile, private-sector trainers are just trying to make a living, and have neither the time nor (often) the skills to measure the impact of their training. Again, willingness to pay is an interesting, and perhaps necessary, proxy indication of impact.

The most remarkable feature of these training businesses is their low financial scale; independent trainers in Uganda were found to be earning \$80-160 per month from their training activities, while training institutes paid \$40-80 per month to their predominantly part-time trainers. The range of incomes found in Zimbabwe was rather larger, but trainers at the bottom end were earning very little, even by Ugandan standards. This is a clear contrast with trainers paid by development agencies, often in the range of \$100-200 per day. The factor of approximately 20 between the cost levels of private trainers and development trainers might correspond to the level of cost recovery achieved by some projects, of 5-10 %.

The quality of the training provided is very variable, and the sector probably attracts its share of rogues. But strong government regulation (as in Zimbabwe) probably only drives some of the private-sector trainers ‘underground’. The provision of highly-subsidised, high-quality training (and even the paying of ‘sitting allowances’ to trainees) probably has a negative effect on the sector, too. As if to confirm that, a higher concentration of Ugandan training businesses was found in towns which had little non-commercial training; on the other hand, fewer private-sector trainers were found in towns which were better covered with publicly-funded training.

FIT is now working in both countries to develop networks of for-profit trainers, through which to strengthen their capacities; possible services include:

- ToT courses in new skills and training methodologies
- refresher and upgrading courses
- group advertising of training services
- certification of training courses which meet agreed standards
- publication of a directory of private-sector training facilities
- facilitation of resource sharing among institutes (e.g. secondment of part-time trainers)

4. Conclusion

This Paper outlines work in progress; hopefully it conveys some of the experience of offering BDS in new ways (at least as far as development work is concerned). Tailoring BDS totally to the perceived needs and demand of people in small enterprises, and then offering those services through for-profit channels, may require a different approach to development work. Employers' organisations may be able to play a particularly important role here, since many count existing and potential service providers in the private sector amongst their members.

While lessons can be learned from the success of methodologies in the field of micro-finance, there is a strong case in BDS for focussing for the time being on the identification and development of innovative services, rather than on institutions providing a range, or 'package' of services; in micro-finance, on the other hand, the focus generally is more on the creation of strong institutions.

If this in approach can be achieved, the potential is there, finally, to reach millions of small enterprises with the support services which they urgently need. Many questions remain to be answered, but the evidence does suggest that this approach is possible. More work is now needed, to fill the gaps and to define methodologies which can be followed, to achieve good results in different environments. The author is particularly keen to hear from anyone who is interested to collaborate in working towards that goal.

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