

# **Increasing BDS supply in weak markets**

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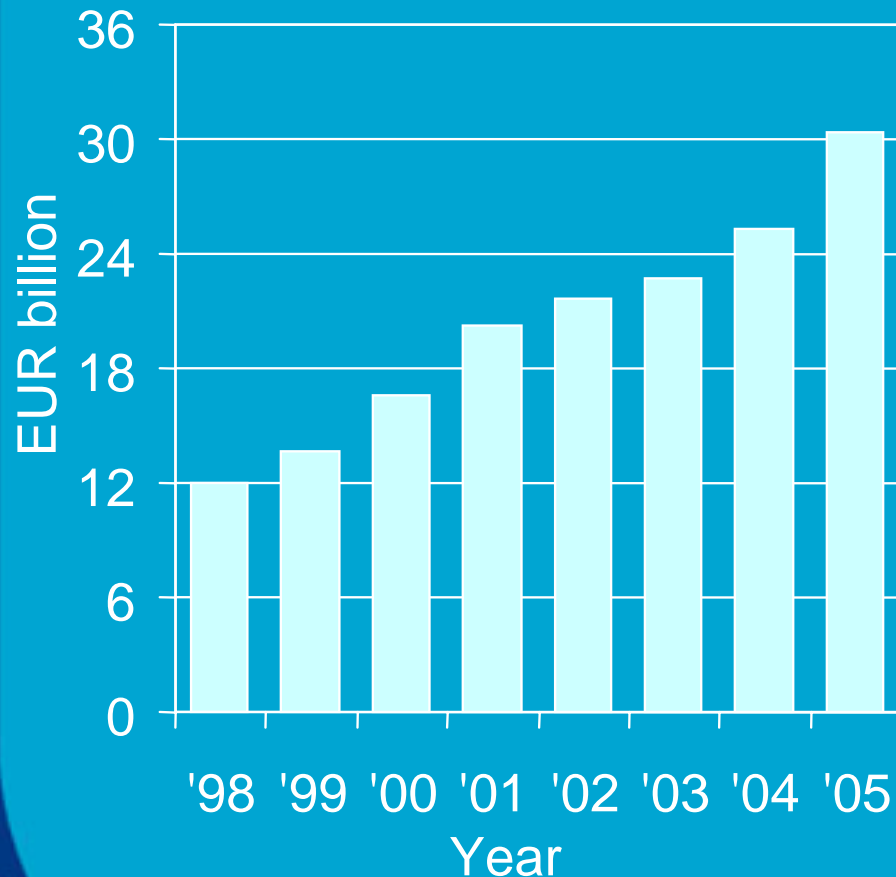


# Agenda

- **What are the EBRD and TAM/BAS?**
- **Strategies for increasing BDS supply**
- **Results in Central Asia**



# What is the EBRD ?



- IFI promoting transition to market economies in 27 CEE & CIS countries
- Owned by 60 countries + EU & EIB, HQ in London
- Capital of €20 billion
- Now focussing on the “Early Transition Countries” (CIS-7)

*Cumulative commitments  
€30.3 billion*



# What are the TurnAround Management (TAM) and Business Advisory Services (BAS) Programmes?

Programme	Purpose	Methodology
<b>TAM</b> (Medium to large enterprises, 200-1500 employees)	Restructure and introduce new management culture	Foreign senior industrial advisors provide mentoring over 12-18 months
<b>BAS</b> (Micro, small and medium enterprises, 10-500 employees)	Show MSME managers how to effectively use external business services; develop local consultancy markets	Locally-based BAS team facilitates focused consulting projects utilising local consultants



# How BAS works

- **2 objectives:**
  - Enterprise development
  - Development of local consulting markets
- **3 “bundled” elements of BAS support:**
  - Assistance in organising the project: from concept to contract
  - Assistance in monitoring and evaluating: from contract to 12 months following completion
  - Project grant: up to 50% of project cost, max. USD 10,000, *never the only element (!)*, phased out with market development



# How BAS works: we strive to comply with the BDS “Blue Book” guidelines

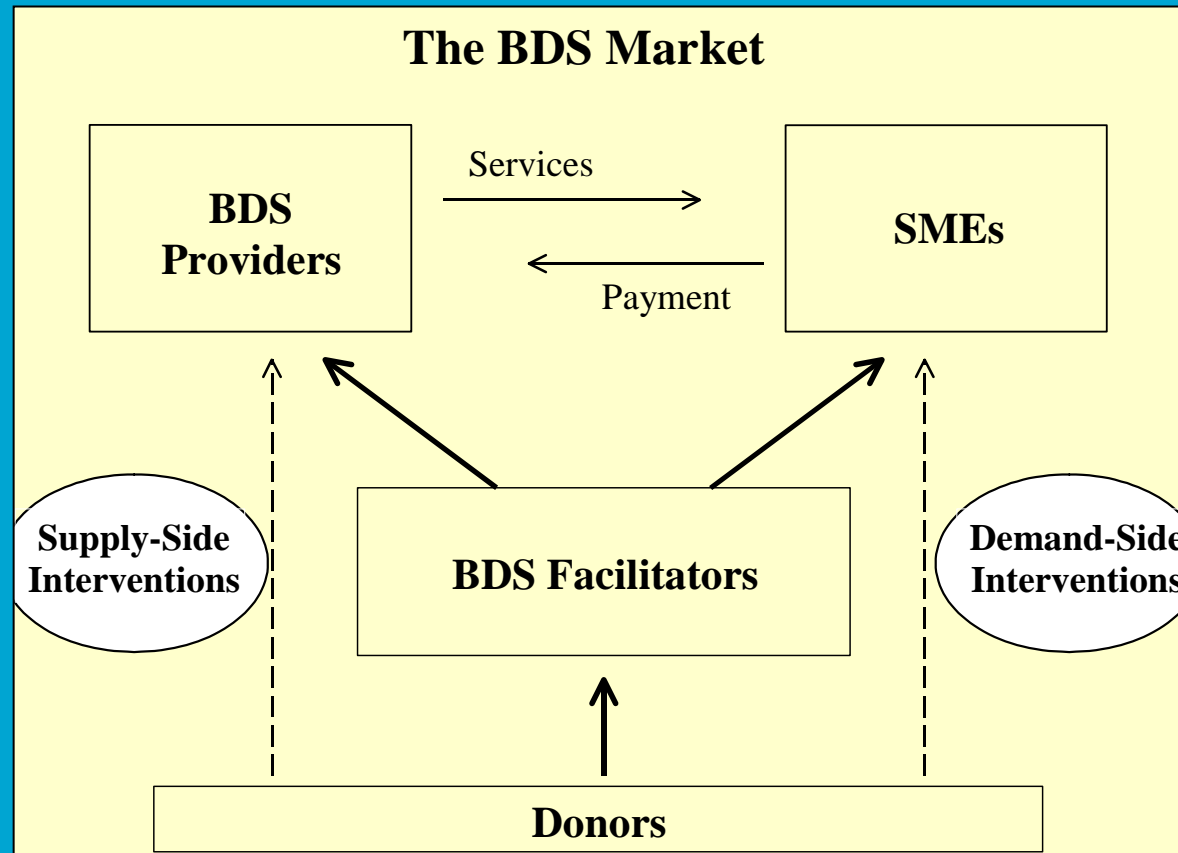


Diagram from *Guiding Principles for Donor Intervention in BDS Provision*, 2001

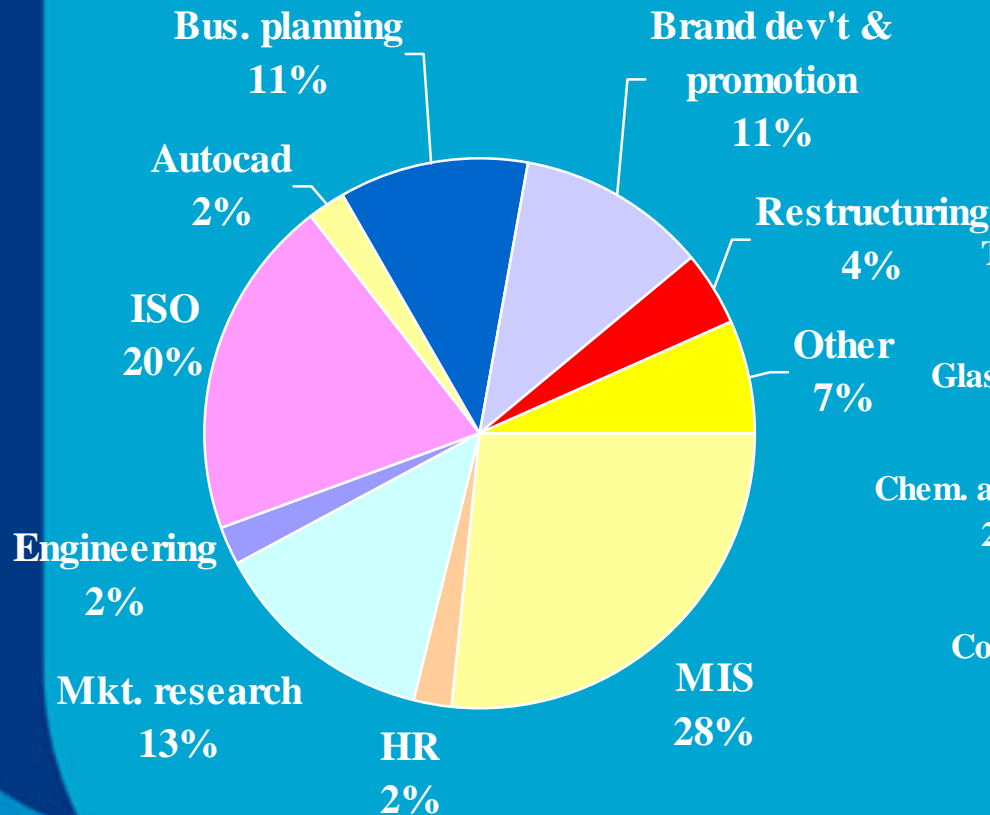


# BAS in Central Asia operates out of 11 offices, most in the provinces

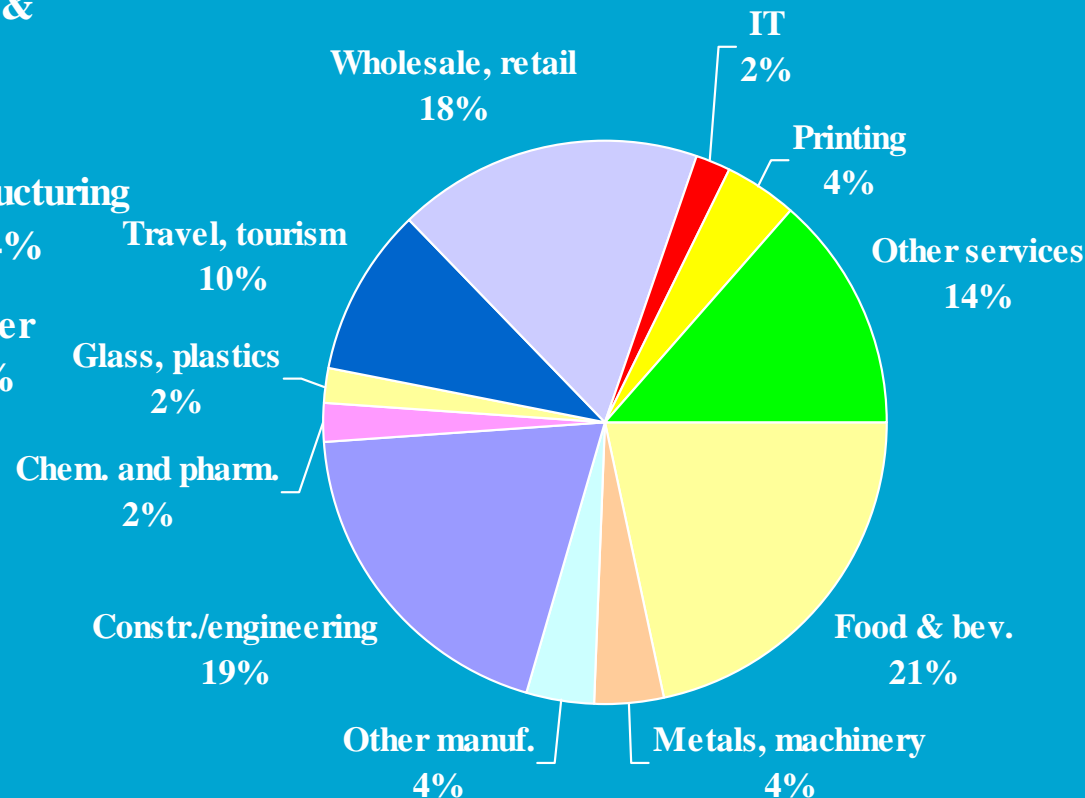


# Central Asia BAS has worked with about 1,000 enterprises since 2002

## Type of advice



## Type of enterprise



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# BDS supply development: quantity vs. quality?

- Minimum quality standards are crucial, and skills improvement is ideal...
- ...but increasing the number of sustainable service providers is critical to achieving *market impact*
- Also, diversity is a quality factor...
- ...and BDS programmes can be tempted to work with only a few existing service providers



# Strategy 1: market-following

## Steps:

1. Identify demand and existing providers (or vice-versa)
2. Identify barriers to growth (uninformed/uncertain client base, consultant skills gaps, business risk for new entrants)
3. Support private initiatives to reduce the barriers; examples:
  - Demand-side: marketing/informational efforts
  - Supply-side: generate interest among potential providers (some may see the barriers as opportunities)
  - More supply-side: encourage the creation of new firms by supporting projects with competent newcomers



# Strategy 2: market-leading

## Steps:

1. Identify potential/latent demand (tricky – depends on staff skills and programme orientation) and existing skills base
2. Identify and evaluate barriers – maybe there are good reasons why a particular service is not on offer
3. Identify potential service provider(s) for a pilot project, assess skills gaps
4. Address gaps (training, twinning with experienced consultant, etc.)
5. Pilot project (if successful, replicate ASAP!)



## Strategy 3: the geographical dimension

- The “BDS market” is usually a network of geography-specific markets (not only in developing countries)
- In countries with one or two main business capitals, addressing BDS demand in the provinces is a special challenge
- We have found no best solution and use a combination:
  - Demand-side: introductory training for regional MSMEs on using/benefiting from services (even basic ones)
  - Supply-side: consultant roundtables with potential provincial clients
  - Supply-side: informing well-suited service providers to specific opportunities in the regions (try to be fair as well as pragmatic)



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# Results: where it worked (1)



## ISO standards in Uzbekistan (market-following)

- Before: 1 ISO consultant in 2001, 1 ISO 9001-certified SOE
- Efforts:
  - Demand-side: marketing/informational events on ISO with external experts
  - Demand-side: targeting of specific likely ISO clients
  - Supply-side: after 1<sup>st</sup> successful projects, informed potential consultants of market opportunities and niches (food processing, light industry)
    - *Ethical footnote: we didn't approach staff of existing ISO firms, but high turnover in the consulting industry did help...*
  - Supply-side: supported pilot projects with proven new service providers
- After: approx. 10 competing ISO consultants, 100+ ISO-certified SMEs, BAS now exiting from ISO market in Uzbekistan
- Costs: 100+ staff person/days, approx. USD 5,000 on events



# Results: where it worked (2)

## Herd management in Kazakhstan (market-leading)



- Before: post-Soviet breakdown of farm-level services, no commercially-available herd-management services in 2003
- Efforts:
  - Demand-side: identified (inadvertently) demand on a trip to rural areas
  - Supply-side: approached agricultural universities and research institutes, identified a suitable individual
  - Supply-side: after successful pilot project, re-approached universities/institutes, informed key individuals of opportunities
  - Supported more “pilot” projects
- After: 5 herd management consultants, 15 farms advised with BAS support, 10+ without BAS support
- Costs: approx. 30 staff person/days



# Results: where it worked (3)

## Rural energy-efficiency in Kyrgyzstan (market-leading)



- Before: virtually no energy-efficiency consultants working for rural clients in 2004
- Efforts:
  - Supply/demand-side: energy consultant approached us with a concept for rural biogas projects
  - Demand-side: identified potential clients on rural trips
  - Supply-side: after successful pilot project, approached other potential consultants
  - Supported more “pilot” projects
- After: 3 energy-efficiency consultants now targeting farms, 10 farms advised with BAS support, a few without BAS support, demand growing
- Costs: approx. 20 staff person/days



# Results: where it didn't work (1)

## Crop protection in Kazakhstan (market-leading)

- Before (and after): post-Soviet breakdown of farm-level services, no commercially-available crop protection services (still none...)
- Efforts:
  - Supply-side: programme team was introduced to a research institute, “pitched” the idea of providing consulting services to large grain farms
  - Demand-side: relied on the institute to market the idea
  - Held repeated meetings, but no meaningful action taken
- What went wrong: placed our hopes in one provider, turned out to be no commercial drive (although we remain confident in demand!)
- Costs: approx. 10 staff person/days



# Results: where it didn't work (2)

## Brand development in Uzbekistan (market-leading)

- Before (and after): branding services limited to graphic design, no research/testing, little work with client
- Efforts:
  - Supply-side: informational seminar for advertising agencies with external expert from Kazakhstan
  - Supply/demand-side: identified a client, twinned a promising agency with the expert for a pilot project
  - Good deliverable, but unsatisfactory utilisation by client
  - No more interest in twinning from local agencies
- What went wrong: lack of demand – uncompetitive market in which companies are more concerned with internal issues
- Costs: approx. 20 staff person/days, USD 15,000 for external expert



# Results: where it didn't work (3)

## ISO in Kyrgyzstan (market-following)

- Before (and after): 1 local ISO consulting firm exists but has little business
- Efforts:
  - Supply-side: qualified the 1 ISO consultant
  - Demand-side: marketing/informational events on ISO with external experts
  - Supported a pilot project with the 1 ISO consultant; good deliverable, satisfactory utilisation
  - Held additional marketing/informational events
  - Little/no further interest
- What went wrong: maybe we were actually leading way ahead of market development (also, political instability)
- Costs: approx. 20 staff person/days, USD 5,000 for events

