Livelihood
And
Employment Creation

Business development services
PREFACE

Proposal of short Operational Guidelines

This collection of short guides describes a number of activities (based upon labour, enterprise and business development, training and local area development) that will contribute to the promotion of both social and economic recovery and livelihoods. Each activity is explained, and 'why', 'how', and 'when' (or when not) to implement them is outlined in a brief guide.

A. Why these guides

These guides provide a practical introduction to employment and business-related interventions. They are written for humanitarian and development field workers working on the promotion of self-reliance and livelihoods of displaced populations and other conflict-affected communities. They highlight opportunities and limitations of different relevant ILO approaches and methodologies for socio-economic empowerment through employment-oriented strategies. They should help field staff decide the suitability and feasibility of adopting these approaches in their particular operations; and will also help identify any need for specific ILO expertise to support relevant UNHCR operations.

These guides will not substitute technical expertise in the field; rather they are programming and decision-making guidelines that will help programme and technical staff oversee the design and implementation of relevant activities. Further technical training or partnerships should be developed as appropriate.

The subjects can be divided into three major categories:

- 'Cash for work', 'Food for work', 'Labour-based infrastructure reconstruction' and 'Community contracting' belong to the first. These three areas concentrate on the creation of temporary jobs that can inject cash into a community rapidly. These jobs are not meant to provide sustainable livelihoods, but are designed to revive the local economy, provide a boost to household economies, either in refugee hosting areas or in the reconstruction phase of a post-conflict situation, in order to create the means for further development.

1 These short guides were elaborated by Maria Lazarte G. to be included in the UNHCR Self reliance Manual and have been derived from consultations with ILO technical departments and based on their relevant publications.
The second category includes micro- and small-enterprise development and its subsections: 'Microfinance', 'Business development services', 'Start and improve your business' and 'Women entrepreneurship development'. This group concentrates on building sustainable self-employment, and on micro- and small-enterprise support and development.

The last group contains general strategies that can be used in combination with strategies above in order to promote individual and communal economic development. These include 'Emergency public employment services', 'Skills-training', and 'Local economic development'.
A. **Who should use them**

These guides are written for middle managers, national and international field experts and associated partners.

B. **How should they be used**

The guides comprise of a combination of briefings and a compilation of major relevant ILO tools on each subject.

The guides provide decision-oriented information on each area, and expansive methodological guidelines as well as a reference to an additional online bibliography and contact information for further resources and technical help.

The guides are divided into the following sections:

- A brief summary of each strategy (‘what is’).
- Its main advantages (‘why implement’)
- Information on when to implement each strategy (‘when to’)
- Warnings (‘when not to implement’).
- Problems and challenges to consider before and during implementation (‘problems/challenges’).
- Basic steps or different forms of each particular strategy, and some recommendations to consider during the implementation of each strategy (‘how to’).

C. **Contents**

There are twelve guides

**Building a basis for employment and enterprise development**

1. Vocational and skills-training
2. Local economic development
3. Public employment services

**Short-term employment options**

4. Cash-for-work
5. Food-for-work
6. Labour-based infrastructure projects
7. Community contracting

**Business development options**

8. Micro and small enterprise promotion
9. Microfinance
10. Business development services
11. Start and improve your own business
12. Women entrepreneurship development
Business development services

A. What is BDS

Business development services (BDS) are formal and informal non-financial services that offer entrepreneurs:

- Training
- Consulting
- Marketing support
- Business information
- Access to technology
- Advocacy
- Business linkages
- Infrastructure development
- Other non-financial services

BDS help businesses become more profitable by assisting them in:

- Developing and producing quality products effectively.
- Accessing higher value markets.
- Managing their business efficiently.
- Generally improving and developing their business.

BDS can be directed at micro and small enterprises (MSEs) facing a variety of constraints due to poor levels of education, weak management, competitive markets, low quality products and/or services, lack of marketing skills, inefficient infrastructure and lack of familiarity with the local economic environment (e.g. refugees, returnees). Businesses in this category often find it difficult to develop to their full potential and often risk failure.

B. Why implement BDS

BDS is crucial in areas affected by conflict (e.g. displacement, refugee influx), and in post-conflict reconstruction situations where there has been damage both to human and physical infrastructures. The human infrastructure i.e. the labour force, can suffer a loss of entrepreneurial expertise, networks, and customers. Damage to the physical infrastructure includes destroyed communication and transport networks, and production facilities and machinery. This damage makes it even more difficult for local enterprises to operate in an already weak economic environment.

Entrepreneurs will therefore need support to maintain stable networks with customers and suppliers, obtain finance in an unstable environment, promote cooperative arrangements, and in the overall management of their businesses.
By helping businesses increase sales and reduce costs, BDS contributes to promoting economic development and social goals:

![Diagram: BDS → Business Growth → Increased Employment → Poverty Reduction → Promote Social, Political, Economic inclusion]

Improved MSE performance resulting from BDS is therefore key to community and national development.

C. When to apply BDS

BDS can be applied whenever there is an interest in improving business performance. In particular, BDS is employed in areas where MSEs can be facilitated to reach their full potential, especially after a crisis, if they are suffering from factors such as:

- poor education
- competitive markets
- insufficient technology
- insecurity
- inefficient infrastructure
- inadequate marketing skills and technical expertise
- lack of information
- weak management
- low quality products and services
- harassment of business owners
- poor services (telephone, electricity, water)
- poor understanding among refugees and returnees of the local economic environment

The provision of BDS should only be facilitated in areas where there is either weak demand and/or supply of BDS, and interventions can build on existing activity.

When there is no supply but there is demand, facilitators can intervene initially to provide BDS services directly and stimulate market demand. However, once private sector BDS providers are able to take over, BDS facilitators should step back (exit strategy - current thinking in BDS provision).

D. When not to implement BDS

BDS interventions will be extremely difficult in areas where the market is non-existent and there is no supply and demand. There is also limited potential for BDS in areas where the market is already operating efficiently, with effective patterns of supply and demand.
(Market assessment is crucial to determine the state of the current market, and consequently the feasibility of BDS in an area.)

E. Problems/challenges in providing BDS

Existing and potential providers might have inadequate capacity for implementing BDS. This can be the case especially after conflicts where business and client networks have been interrupted, infrastructure and communications damaged, and there is a pervasive lack of trust. In particular, these factors can make it difficult for private BDS providers to deliver BDS in a sustainable way e.g. recovering costs.

A market assessment might be difficult to implement in areas where security is poor, and unstable environments mean that information is soon outdated.

Current thinking in BDS provision encourages the promotion of a sustainable and vibrant BDS market, and therefore discourages the subsidizing of services. This poses a challenge when populations have low purchasing capacity, and providers lack capital. This might also be problematic in areas where markets are weak and the operating environment unpredictable. Finally, the short-term perspective of some donors, practitioners, and implementing agencies might not be conducive to sustainability.

In conflict affected communities and post-crisis areas, dependence on relief and grants might dissuade the development of contractual business relations with providers. Competition and efficiency might be difficult in BDS markets suffering from a shortage of providers and weak demand.

Market distortion might be impossible to avoid in conflict affected communities and post-crisis areas where relief, outside forces, and security constraints among others are inevitably going to have an impact.

**Market distortion**: when any one factor interferes with market competition, leading to fewer choices and higher prices.

It is important that programs be flexible to adapt to rapidly changing environments, and to ensure coordination with other humanitarian and development agencies in the area.
F. Partners/Targets in BDS provision

Targets/clients/beneficiaries

All micro and small enterprises.

Partners

BDS facilitators are development oriented institutions that deal directly with BDS providers to:
- Provide training and capacity building.
- Evaluate BDS providers’ performance.
- Ensure quality.
- Promote and analyse market development.

BDS facilitators also work with governments for BDS and MSEs policy advocacy. Facilitators might encourage MSEs (e.g. training institutions) to embark on BDS, but are not involved directly in its implementation (except in situations where there are no viable alternative providers). BDS facilitators include: NGOs, chambers of commerce, UN agencies and other development-based organisations.

BDS providers work directly with MSEs to provide BDS for a fee or as part of embedded services. Providers could include: private sector (for profit) BDS providers, MSEs through embedded business services, associations/cooperatives, individuals, government agencies, NGOs. Providers will differ according to context.

Example: If an MSE buys potatoes in bulk (e.g. 100 or more) from a supplier, the supplier will offer the MSE training on storage techniques.

G. How to implement BDS

There are different types of business development services. Operational service address everyday operations (e.g. account management and communications). Strategic services focus on medium and long term goals (e.g. enhancing performance and competition).
H. Different types of service/support

Market access services

Identify and establish new markets for products and services delivered by MSEs, and/or develop existing markets.

Input supply services

Improve MSEs access to production inputs and raw materials. This includes promoting sustainable training and technical assistance products.

Technology and product development

Research and identify new technologies. Assess the capacity for sustainable local production, marketing and service of these technologies. Develop novel and enhanced products specifically targeted to market demand.

Training and technical assistance

Improve the capacity of MSEs to plan and manage their operations, and to develop their technical expertise (see SIYB).

Infrastructure support

Set up adequate sustainable infrastructure that improve MSEs ability to operate.

Policy/advocacy

Produce sub-sector research and analysis on policy opportunities and constraints for MSEs, and assist the formation of organisations and coalitions that advance the interests of MSEs.

Financial support

Help MSEs seek funds through formal and alternative channels, and assist them in establishing connections with banks and microfinance institutions for credit and other financial operations.
BDS services can be delivered alone, as a package with other services, or as part of business relations.

Current thinking in BDS provision advocates that BDS should be market driven and sustainable. In order to make BDS sustainable it is necessary to promote an active market of services that MSEs will have both the capacity and the interest to enter. For this reason, BDS services should be demand driven to address both the needs and wants of MSEs. Although BDS implementing and financing strategies will vary in different contexts, BDS are usually provided in exchange of a fee that participating MSEs can afford, as an element in a package deal with vested commercial interests, or based on commission.

However within this approach it is necessary to assume appropriate strategies to ensure access to services for groups that cannot or are less able to pay and/or participate (e.g. women entrepreneurs, heads of household, disabled, refugees, displaced and ethnic minorities). BDS programmes should be flexible and adapt their content to specific target groups. Some strategies include:

- Treating specific underserved groups as market niches. Address the specific needs of disadvantaged groups as a market opportunity.
- Promoting services appropriate for sectors in which underserved MSEs operate. For example; focusing on a sector where women entrepreneurs dominate the market.
- Paying particular attention to payment mechanisms. Consider special payment options, such as embedded services, third party financing, or payment in installments, for groups that find it difficult to pay for services (e.g. poor MSEs).
- Working with low-cost suppliers. Low cost suppliers might be better adapted to providing services to MSEs, who in turn might also prefer these arrangements.

**I. Market Assessment**

Before selecting which form of intervention to adopt, it is necessary to engage in a market and needs assessment in order to identify opportunities and constraints in any given area. Market assessments should focus on a particular product or service, its potential clients and competitors, and the geographic areas considered.
This will provide valuable information (e.g. reasons for the absence of demand or supply of a service) and will prove crucial in selecting adequate BDS activities. For example, product development and capacity building are particularly adequate in markets where supply is weak, while promotions and financing techniques are suitable when demand is weak.

Possible methodologies and tools for assessing MSEs constraints and opportunities:

- Sub-sector analysis involves researching all enterprise actors concerned with a particular product or service, and identifying BDS provision opportunities connected with this product or service (e.g. producers, retailers, distributors).
- Participatory rapid appraisal is based on a set of tools to aid development agents to recognize problems and solutions by making the most of local knowledge (includes: resource mapping, seasonal mapping, network maps and ranking exercises).
- General small enterprise surveys address a number of areas including the number of MSEs, their geographic and gender distribution and growth trends etc.
- BDS market assessment tools identify BDS markets, services and providers (for some examples see 'further references').
- Needs assessment through clusters and networks bring together MSEs working in similar areas of activity, and/or sharing other common factors. The idea is for these enterprises or networks to discuss their development together.
- Action research/incremental approaches develop close relationships with enterprises - to learn from them.

**Field experience: Farmers and markets in Mexico**

Conservation International effectively links farmers with markets, and encourages them to use sustainable farming techniques that generate income and protect the forests of Chiapas, Mexico.

(http://www.seepnetwork.org/bdsguide.html)
For more information on BDS see:


For BDS Provision to Women Entrepreneurs see:


For BDS market assessment tools see:

Links:
www.seepnetwork.org/bdsguide.html
www.ilo.org/dyn/bds/bdssearch.home
www.sedonors.org/

ILO contacts:
InFocus Programme on Boosting Employment Through Small Enterprise Development
International Labour Office
4, Route de Morillons - CH-1211 Geneva 22 (Switzerland)
Phone: +4122/7996862 ; Fax: +4122/7997978
IFP-SED@ilo.org

Chief Technical Adviser
SIYB Project
International Labour Office
202-204, Bauddhaloka Mawatha
Colombo 7
Sri Lanka
Tel: 0094122-592525
Fax: 0094122-500865
Email: colombo@ilo.org
Website: www.ilo.org/colombo