

From principles to practice: ten critical challenges for BDS market development

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Abstract

The BDS market development field has clearly made progress in its first few years of activity. However, to further advance the field – and to address incipient signs that spread has not been accompanied by depth in understanding – it now needs to confront ten critical challenges. These are concerned with reasserting the analytical rigour that underpins the approach, with confronting the difficult issues of how to operationalise market development objectives and with building the capacity of organisations and personnel.

This paper highlights these challenges and, in doing so, positions BDS market development within the wider private sector development field. While neither straightforward nor given to pre-packaged solutions, the issues identified here are germane to all development efforts aimed at making markets work more effectively and inclusively for the benefit of the poor.

Introduction

The business development services (BDS) field is moving beyond its period of initial novelty. It is now six years since the Committee of Donor Agencies for Small Enterprise Development first produced its preliminary guidelines (1), introduced the term “BDS” into the development lexicon and spawned a process of substantial analysis and reflection among the development community. It is four years since BDS market development first became accepted as the guiding thrust of donor thinking and practice within the field (2) and two years since this period of case studies and conferences closed with the publication of finalised Donor Guidelines, the “Blue Book” (3).

Now, from a position beyond this initial buzz of activity, it seems an opportune time to consider *where* the field of BDS market development is. What have been its achievements in its inaugural phase? What have been the key points of learning, and, most important, what issues need to be addressed to push BDS forward?

This paper seeks to respond to these questions. It is structured in relation to the key challenges to be faced – and commitments to make – if progress is to be made in the future, each framing a specific issue emerging from recent experience. It is a position paper rather than a research study but does draw on the authors’ close involvement with many aspects of BDS currently and from its earliest days. Finally, the paper takes as its starting point – and builds on – the core conclusion reached through the above process, that BDS market development should be the main focus of development agency endeavour in the BDS field. Two main reasons lay behind this conclusion:

1. The experience of agencies in following an approach of direct services provision to businesses has, candidly, been one of failure. Through a detailed process of reflection,

agencies were pushed into an unprecedented, reassessment of their work; BDS market development emerged from this hard (and sometimes painful) learning – not from whim.

2. The growth in importance of business services. Driven by the rising significance of knowledge and information in determining competitiveness, business services have become among the highest growth sectors in most economies. A few examples demonstrate the point:
 - In the EU, average annual growth of business services from 1980-94 was 6.75% against 1.5% for manufacturing and services overall (4);
 - In the US, 85% of businesses now outsource functions once performed in-house (5);
 - In South Africa, while average employment growth was 1.33% over the last 20 years it has been 6.75% for business services (6); and
 - In the Indonesian furniture sector, improved export performance has been linked closely with increased use of BDS which now constitutes firms' second largest input after timber (7).

Currently accounting for 25-35% of GDP in most high-income economies and perhaps half of this in low-income countries, BDS markets are important, and becoming more important. Agencies' reorientation is recognition of this previously little-acknowledged reality.

This paper is about the challenges that development agencies need to address in order to develop BDS markets – it is not about reasserting well-established truths about the correctness of this goal or the importance of BDS per se, nor is it intended to be a detailed 'how to' guide to implementation.

Early signs of progress but ...

In many ways, the progress of BDS market development within the development sphere is as much as could be expected at this stage. There are tangible signs of progress:

- 1) Written policies and strategies of development agencies – major multilateral donors such as the World Bank and bilateral agencies such as DFID and USAID have strategies that embrace BDS market development. IFC's strategy, for example, emphasises the "creation of a market for business development services" (8) and DFID highlights "making markets work for the poor" in its overall development strategy (9).
- 2) Resource allocation: the actual decisions of agencies in allocating resources to market development interventions is a more revealing indicator of intent. Here there are even more signs of change – across Asia, Africa, Eastern Europe and Latin America there are a growing number of projects that have BDS market development at their core involving agencies such as DFID, GTZ, IFC, ILO, SDC and USAID.

- 3) Research agenda: BDS market development is also penetrating development research agendas. Most prominent, USAID's Accelerated Microenterprise Assistance Program (AMAP) – probably the largest research programme on small business development currently supported by an agency - has BDS as one of the three main areas of focus (along with financial services and the enabling environment).

While one might argue about the pace of adoption and the volume of resources being devoted to BDS market development, there is little doubt that more is happening under the BDS banner. This is where one would expect the field to be and, to a considerable extent, this is where it is. But these signs of discernible progress need to be qualified. One obvious complaint is the comparative absence of evidence of large-scale “success” but this, in some ways, is not the most problematic area of concern; there are success stories and if these are small in number and scale this is hardly surprising given that substantial resources have only recently been put into BDS market development¹.

More troubling are indications that the spread of BDS market development has not always been accompanied by a corresponding deepening of understanding – manifested, for example, in relevant research or in the operationalisation of BDS market development objectives in project design and practice. There is rather sterile and cynical talk of a BDS “bubble”, of BDS as a development fad that, having generated a wave of interest and jargon, will fade to join the list of other such fleeting fashions. This paper is sourced in the conviction – founded on rigorous analysis – that (a) BDS market development offers a new, necessary and exciting direction for private sector development efforts as a whole that has the potential to lead to significant, lasting change, but (b) this potential can only be realised if a number of basic challenges are addressed. Ten of the most important of these are discussed below.

Key challenges on a path to progress

1. Re-affirm the core logic

Although interventions shaped by BDS market development differ in terms of sector/market and size, their essential logic should always be the same (Figure 1). Given a common goal within development agencies of poverty reduction (or something similar), the focus of any BDS-related interventions should be on BDS market development *in order* that SME performance can be enhanced in *order* that poverty can be reduced. The flow is clear and should not change from one situation to another. Two related points emerge from this:

- BDS market development is, like any development (as distinct from relief) intervention, about addressing causes (rather than symptoms) of underdevelopment. In “conventional” SME development interventions, projects ask “what problems do businesses have and how can I help to solve these?”; a market development perspective asks “what problems do businesses have and why isn't the market environment providing solutions to these?” If one case is concerned with asking why

¹ The ILO BDS Seminar Reader contains the most detailed trawl of latest developments in the BDS world.

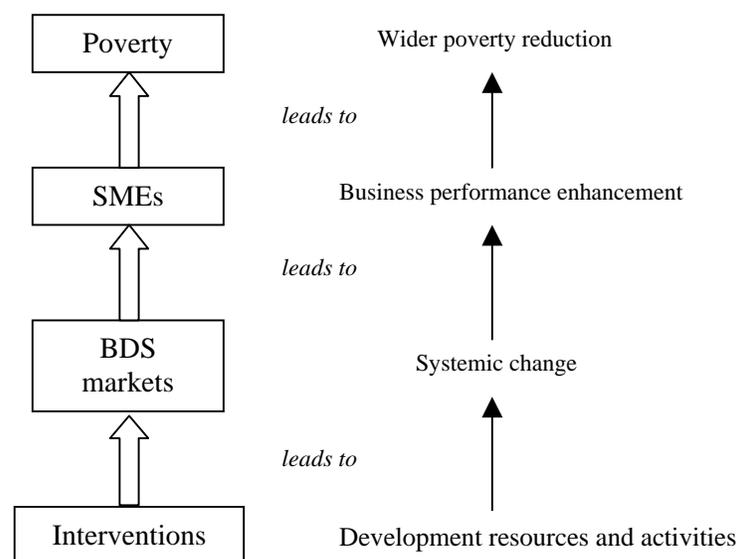
the business isn't working, the other is concerned with the underlying development problem: why the market (within which businesses exist) isn't working.

- BDS market development therefore is about systemic change – if it wasn't it would not offer the potential for large-scale meaningful impact and therefore not be of any real interest to agencies. And this is very positive news! A frequent (and sometimes justified) criticism of interventions purporting to be about BDS is that they are small and disparate, achieving isolated pieces of impact here and there but without any apparent wider significance. By focusing on changes in BDS markets we address this criticism and (see point 2 below) place BDS into the heart of private sector development.

Why is reaffirmation of the core logic important? First, because projects that don't have this transparent logic at their core are often irredeemably flawed. If the rationale is wrong it's difficult for anything else to be right! In particular, projects that attempt to do both – to provide services directly to businesses while also maintaining that they wish to develop markets – need to justify this openly in relation to the development challenge above: how will direct provision of support to SMEs contribute to sustainable, systemic change?

Second, because BDS market development will drift dangerously unless the rationale is affirmed consciously. The transparency and rigour of the logic that underpins the approach is a key strength. Each stage of the flow of logic connecting intervention with poverty is transparent and, while it is open to challenge, counter arguments need to put forward an equally clear alternative (see point 9). Certainly, the argument sometimes put forward – that we need to support businesses directly to get them up and running and a conducive market environment will follow - is contradicted by agencies' experience.

Figure 1: The flow of logic in BDS market development



2. Position BDS into the emerging market development paradigm

The above logic of BDS market development has been strengthened in recent years by the growing momentum for market development generally to be seen as an underpinning development principle to guide donor actions. Of course, in one sense, market development has lingered around development circles for many years, being a key tenet of the market-friendly approach (10) to which most agencies subscribe. However, its priority has tended to be broad macro-economic frameworks and rules of international trade and, while these are important, debate has often become stuck on the wider political issues surrounding these. The more specific detail of how well (or, more often, how badly) particular markets are working – especially how the poor are affected - and the specific reasons for this situation are often neglected. As a consequence, contradictory signals have sometimes been sent and conflicting approaches followed. For example, while the rhetoric of macro-reform is of an appropriate role for government (the provision of public services, privatisation of non-essential roles etc) to create the right conditions for market development, within the BDS sphere, government, NGOs and others are often supported to deliver subsidised services with little consideration for their impact on actual/potential private provision or business competitiveness (and undermining the intent of macro reform)

Other spheres of economic activity that agencies have traditionally supported are now entering their own market development debates. In the field of agriculture extension (business services of agriculture), the circumstances are uncannily similar to BDS (11). Here too:

- under an all-embracing and loose public goods justification, is a field “traditionally” seen to be the domain of government with private sector services regarded as secondary and unable to offer the essential public service quality of the state.
- services are, palpably, not functioning well with limited outreach, efficacy and sustainability.
- services have often not brought enterprises (in this case small-scale farmers) into the mainstream economy but, rather, have cemented their *disconnection*.
- the development challenge is about encouraging the development of more effective markets for services and redefining a more specific role for government.
- previous diffidence about placing services in a market context – or even mentioning the farm business and markets! – has been swept aside by irrefutable realities on the ground.

Indeed, parallel to the specific debate on agricultural extension, there are now indications that a lack of emphasis on markets is being recognised as a weakness in the sustainable livelihoods framework – an approach that holds considerable sway with many donors (12). Therefore a common refrain – that BDS market development is only valid for larger, more formal businesses, not for microenterprises – is already receiving a response in other development arenas. The specific problems faced, the intervention approaches adopted and the types of services required may well differ markedly from those in a more formal business context, but ultimately the objectives remain the same. Income generation activities always take place in some form of market; the rationale for

microenterprise or income generation projects must be to improve that market environment.

Intriguingly, the agriculture and rural livelihoods fields have reached these tentative conclusions essentially uninformed by the emerging experience in BDS market development. And while this is an indictment of the fragmented nature of development discussion it is significant that, through different routes, a similar destination is being reached.

Two conclusions, both of them positive for the BDS field, can be drawn from the above. First, market development offers the same clarity in conceptual framework, rationale and approach to BDS that it does in other sectors. The immediate task of private sector development² is suddenly given greater focus and consistency, namely to help make markets – whether in services, finance or goods – to work more effectively and inclusively for the poor.

Second, although within agencies it is normal to divide the world of private sector development into boxes – enabling environment, financial services, BDS etc – these are united by the market development objective. BDS market development therefore is neither alone nor peripheral. It may be perfectly legitimate not to have any intervention focused on BDS specifically but market development should always be an underlying aim. However, because BDS has *arrived* at market development earlier than other areas, the lessons learned here on how to operationalise this objective – tools, indicators, processes, partners, intervention mechanisms etc. – are of wider relevance. For this cross-learning to take place (and there's been precious little to date) we need to see beyond traditional boxes.

3. Develop a better framework for market analysis

A detailed understanding of markets shapes intervention approaches in two particular ways.

- (a) assessment of existing market situations, especially to identify underlying constraints, forms a starting point for intervention (answering the question – “what is the current situation?”).
- (b) developing a detailed picture of how a market might work more effectively in the future – a picture of sustainability – sets a target for an intervention (“what could be?”).

Logically, the challenge of intervention is how to influence markets to go from (a) to (b).

Recognising the importance of market analysis, the BDS field has been innovative in adapting “standard” market research tools to the market development task. Using tools such as usage, attitude and image (UAI) surveys, product concept tests and focus group discussions, clear progress has been made in how to gain insight into what is – current use and non-use of services – and what could be – services that offer real benefits to SME users and to providers (13). However, while the analyses emerging from these have

² Within in which the authors would include microenterprise and income generation activities.

proved useful in shaping interventions, their overall value has sometimes been limited.³ Commonly absent from market assessments have been any wider examination of the institutional environment for BDS and of market supporting functions.

In BDS, as in other areas, our growing acceptance of the importance of markets has been accompanied by increasing recognition of the institutions – “rules of the game” – that shape their functioning and performance (14). “Institutions” here refers both to the formal and informal frameworks within which markets operate, which determine critical features of markets – information, incentives, values, standards etc. – and consequently govern transaction costs and access. The institutional environment pertaining to a specific market is therefore influenced by wider social and cultural norms, as well as through the actions of formal organisations, for example, governments or associations. The implication here is clear: market economies (and BDS markets within these) only function well when they are embedded in a local context; any comprehensive view of a BDS market must understand this to provide insight into the underlying reasons for market performance and into the capacity for change⁴ (15).

The general point here is that BDS market development needs to be enriched by a more nuanced view of how markets function now and how they *could* function in the future. Only in doing so can the crux issue of sustainability be addressed in a serious manner (16).

4. Define an appropriate role for the state

Within this more comprehensive view of BDS markets, the role of the state always needs to be considered. A widely prevailing misconception is that BDS market development is anti-government and “neo-liberal” in its outlook – that in working towards more effective private markets we are motivated by an instinctive suspicion of the state. Knee-jerk reactions such as this are common but ill-founded and it is important to lay them to rest. In explicitly recognising a potential role for government in BDS market development (and, incidentally, a role for publicly funded interventions to promote market development!) the approach could not be more different from that of so-called neo-liberal economists.

However BDS market development certainly is *anti* the kind of unquestioned state subsidised provision that has been the hallmark of government’s role in many countries. The low outreach, small impact, high cost, limited sustainability outcomes of this kind of role – often pale copies of unsuccessful “models” from the north (17) – has been well documented and epitomised the negative experience that first prompted agencies to search for a better way. The role of the panoply of state and quasi-state organisations (and not-for-profit agencies), often creations of aid, who have grown on this ill-founded basis is therefore questioned by a BDS market analysis.

³ The need to raise capacity in the adaptation of tools has perhaps diverted attention away from their end-purpose; to generate useful information.

⁴ Lack of success with respect to market development generally – and suspicion of it as a western imposition - can often be sourced in agencies’ failure to embed analysis and approach in a local institutional context.

BDS market development is, conversely, *pro* government playing a more appropriate role that fits with its core competence as a provider of public goods. These roles may vary – and should also be driven by an understanding of the wider market – but might include, for example, activities related to regulation, information, research and standards (Table 1). It might also be that the state’s key role in supporting market development will be to focus on general priorities – education, social welfare,⁵ infrastructure and funding for research for example – that are not specific to BDS but impinge directly on it.

Once again, the message of BDS market development is neither formulaic nor simple and, for those who like their development “solutions” pre-packaged neatly this, of course, might be an unwelcome message! However, to those who recognise that (a) the state is a unique and important actor within the institutional environment but that (b) its roles have to be shaped by its core competence to fit a valid picture of how markets can work effectively, the challenge is to engage with governments to enable them to define and play these roles (18).

Table 1: Innovative roles played by government in BDS market development

Country	Issue	Action
Argentina	Low quality standards in export sector	Link public standards agencies with associations
Zimbabwe/ Chile	Poor market orientation in vocational training	Combination of financial stimuli and statutory change / liberalisation to encourage private provision
UK	High compliance costs	Enhanced public information services to SMEs and providers of business services to provide greater clarity and guidance
South Africa	Disconnect between public procurement standards and SMEs	Standards organisation works with BDS providers to enhance broker linkages between firms and public sector buyers
UK	Developing specialist information services	Govt. provides a public role in gathering and offering basic data on companies – tailored into specialised products by private companies.

5. Put BDS into product markets

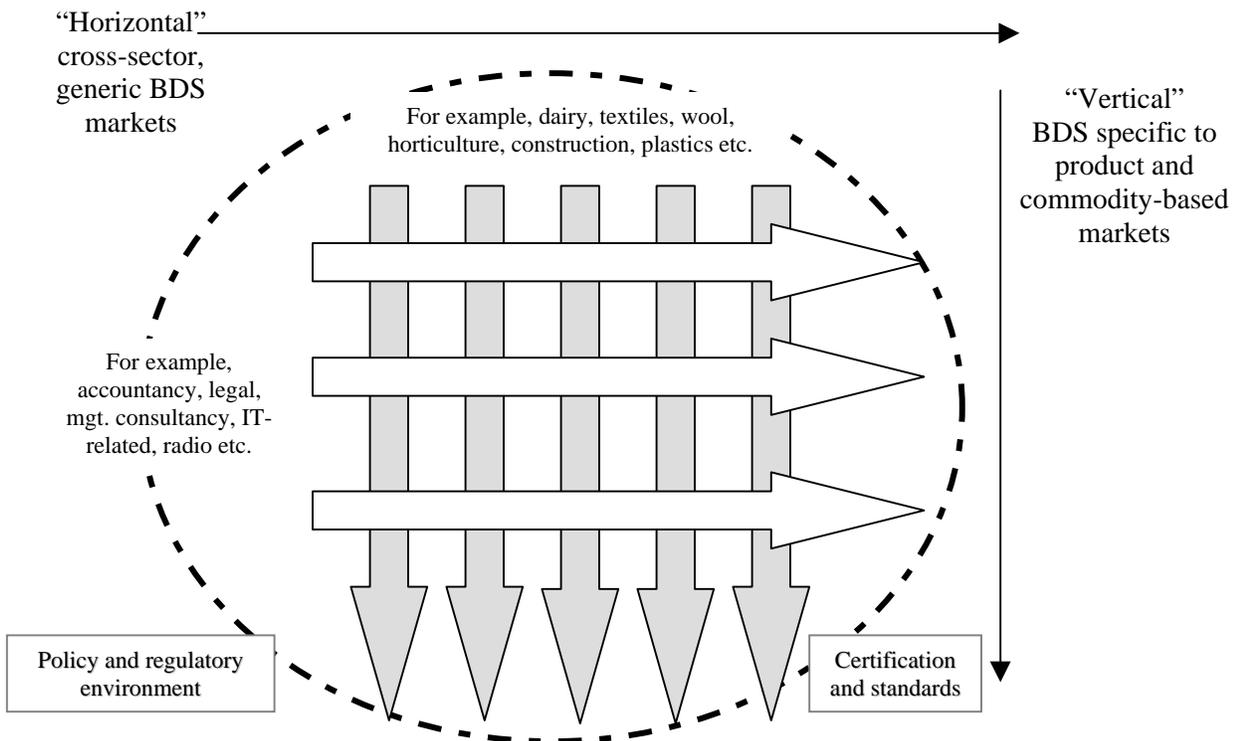
While agencies have usually kept BDS interventions separate from interventions to promote commodity and product markets, increasingly it is recognised that a practical understanding of these markets requires that the BDS *within* them are considered fully. It is perfectly valid to focus on those “generic” business services that have broad application across different industries (accountancy, legal, management consultancy etc) but, equally connecting BDS more immediately to strategic sectoral trends can offer the opportunity for major impact (Figure 2). Several factors lie behind this:

⁵ The market development approach sees protection and development of the individual as a fundamental role for government. Its criticism is directed at the dubious value of extending social welfare-like support approaches to businesses.

- In an increasingly complex world, information and knowledge are recognised to be key assets in allowing businesses to get answers to the key questions that they face. Services are a critical means through which industry-specific information and knowledge is generated.
- Sub-sector analysis, a key tool to assess commodity and product supply chains, has commonly underestimated the importance of the service content of sub-sectors. Services have been treated as a secondary consideration – overlays to the main sub-sector map. Now, the “arrival” of BDS market development has allowed projects focusing on sub-sectors as diverse as green beans, dairy, wool, plastics and textiles to recognise the importance of services within them.
- Our understanding that services are often contained (or embedded) within other commercial transactions or relationships rather than paid for separately is especially important within sub-sectors – and liberated the field from the unhelpful restriction of always thinking of fee-based services only (19).

Again the implication here is clear: BDS market development thinking should be central to industry or sectoral development programmes. The same argument also applies to the “product market” of financial services. Conventional wisdom in microfinance in particular – learning from experiences with “integrated” finance – is that finance providers (particularly microfinance) should not stray into the delivery of BDS. Yet, strategically, BDS and finance are clearly linked. In the problematic area of SME finance especially, services to assist providers to develop products, design systems and develop staff and help consumers to develop business plans and improve their financial disciplines are critical in helping supply and demand come together. As with other product markets, effective financial services cannot develop without relevant BDS.

Figure 2 Generic BDS and BDS within commodity and product markets



6. Making sense of the facilitation task: people and offer

The central task in BDS market development is facilitation. This has been a key change brought about by the Donor Guidelines – that development resources should not be used to support the delivery of BDS directly but to play a catalytic role in supporting the development of markets. However, what facilitation means in practice represents a core challenge for the BDS field. Strategically, facilitators must act as a bridge between the public objectives and procedures of the donor-development world and those of businesses in private sector markets but operationalising this is, from the field's still brief experience, a more demanding and complex task than envisaged previously. In performing facilitation tasks, organisations are facing many dilemmas associated with, for example, where resources should be allocated, how much should be “given” in interventions and in what form, and how facilitators should interact with partners. Many of these challenges are underpinned by two related issues:

- Getting and developing people: an early mantra of BDS good practice was that facilitators needed to be *business-like* – close and able to engage with business people. This, it is now clear, means more than knowing “about” business or having the “right” academic qualifications. It requires relevant business experience to permits facilitators to:
 - interact credibly with market players to earn trust,
 - understand and gain insight into business problems, and
 - see valid project opportunities for market development.

People from conventional enterprise development backgrounds accustomed to delivering standardised business development “solutions” may not have these qualities. The approach of facilitators – who often intuitively understand this problem - to recruitment and staff development needs to take cognisance of this reality.

- Developing the right offer: people are at the heart of what facilitators bring but engaging in an effective and business-like manner requires that have facilitators have an “offer”. Borrowed directly from business, offer refers to the tangible service/good that is presented, to whom, the benefits to be derived from this and what is expected in return – the essential *quid pro quo* of a transaction. Facilitators’ offers must be above and beyond what is already there. Informed by good market analysis, building on relevant experience – and using public resources – they are in a unique position to identify distinctive, additional ways they can change a market situation.

This means rather more than asking businesses what their needs are but, for example, pro-actively identifying new service opportunities and reasons why (existing or potential) service providers are not responding to these and consumers not demanding them – and then developing a offer to address these issues. Clearly, therefore, offers may be very unlike the standardised solutions of conventional enterprise development practice.

7. Making sense of the facilitation task: consistency from analysis to intervention

While there is a logical coherence underpinning the BDS market development approach (from analysis of market constraints and a picture of sustainability to intervention design), there is still great scope for individual interpretation. In the crucial link – from analysis to intervention – there are comparatively few iron-clad rules. Rather than say, for example, “never” provide direct subsidy for transactions between providers and consumer or “always” work with more than one provider, the approach says “justify” an intervention approach in relation to analysis and objectives. Does an identified weakness in the supply-side of a specialised training market merit intervention in the form of improved information for existing service providers, a detailed technical input from an external specialist, improved co-ordination of efforts between domestic providers, promotion of international linkages between foreign and domestic companies, enhanced information to consumers supported by a short-term voucher programme?... there may be many options but choices need to be justified.

The nature of the approach, therefore, provides real scope for facilitators to innovate – and emphasises again that the facilitation task demands entrepreneurial flair as much as delivery efficiency. As more is learned, guidance for facilitation will become tighter. However, what is clear is that the approach – however creatively pursued – does require that facilitators’ intervention designs and implementation practices are genuinely led by analysis. The “creativity” of justifying what agencies have always done under a new banner of BDS market facilitation is not a legitimate option. Providing services directly on the premise that “demonstration” is necessary, for example, can become a blanket reason to repeat the mistakes of the past. It is incumbent on organisations acting as facilitators (and donors supporting them) to be true to the approach.

8. Revise project designs to permit the required flexibility

BDS market development projects must be grounded in and shaped by market realities. Rather than *arriving* into a situation with a predetermined “model”, organisations must have sufficient knowledge and capacity in different intervention options to respond effectively to market constraints. This is the essence of key underlying principles - being *demand-led* and *business-like* – yet the major implications of this for project design are often not realised. No longer can designs be developed in precise, fixed detail with limited scope for flexibility. In practice, project designs that allow appropriate flexibility may have some or all of the following characteristics:

- Framework contracts defining programmes rather than individual projects that set out key strategic areas, number of different markets, operating principles, overall objectives and resourcing but do not attempt to predict specific activities or budgets for these.
- Procedures to require more detailed planning as more analysis is generated throughout a project’s life – including tighter budgets and indicators.
- Provision to allow further market research as projects proceed to determine the scope for and nature of further intervention.
- Space to permit projects to be innovative in their intervention response to new opportunities that arise – especially given the fluid nature of market situations.

Of course, this is challenging for donor agencies. Flexibility may always be desirable but always has to be countered by the need for accountability. Research can easily be seen as self-indulgent and purposeless unless tied to the discipline of intervention. Practical planning frameworks need to have indicators to define targets and incentives, bring focus to activity and define the terms of relationship between donor and project contractor. Achieving this balance – between the public objectives and requirements of an aid project and the reality of effective engagement in private markets – is a key design challenge.

9. Deal with poverty realistically

As with all development activities, poverty reduction is the overarching objective of BDS market development and therefore, like other activities, it is appropriate that it be considered against this goal. For some, however, BDS market development's supposedly tenuous link with poverty reduction is a persistent problem that undermines the credibility of the field. Several points can be made here:

- The logic of the approach (see point 1 above) shows a clear path through which interventions should impact on poverty. While at each stage of this logic model, assumptions are being made, none of these are unique to BDS. They apply equally to interventions in microenterprise and SME development generally, policy and financial services. Nor are these assumptions wide-eyed conjecture; on the contrary, they are firmly within mainstream views on how economic development impacts on the poor as employees, owners of enterprises and as consumers.
- Proving impact on poverty is, unavoidably, extremely difficult and expensive – but again, this is hardly a problem unique to BDS. Rather it is a big question for development as a whole – especially agencies engaged in private sector development – and needs to be considered by agencies collectively.
- Although the poverty reduction criterion is important (and obvious) it also needs to be recognised that final convincing proof is unlikely to emerge easily or quickly to convince sceptics of BDS market development's worth. For some critics, the notion that (amoral) markets can serve (moral) developmental objectives is anathema – even if they are the basis of market economies – therefore “debate” here is about more than BDS market development alone

Given this, how should the BDS field respond? First, notwithstanding the above caveats, there is a need for improved research, monitoring and evaluation on each stage of the flow of cause and effect linking interventions with final impact (see Figure 1). For individual projects and organisations, their resources and capacity dictate should be to focus on impacts closest to interventions where there are comparatively fewer methodological difficulties – market-level change and the link between BDS consumption and business performance. Second, develop detailed case studies on how improved business performance can impact on poverty. While these might not “prove” a relationship with poverty reduction they should enrich our knowledge to allow improvement in interventions. Third, research aimed at proving the poverty impact of

BDS market development should be the responsibility of development agencies as a whole⁶. Importantly, however, as mentioned above, the quest to prove impact is common to all donor interventions related to private sector development; BDS market development must be assessed in that context.

10. Retire the BDS label – the future is business services!

When first introduced, the business development services term was welcomed widely. Usurping the rather uninspiring title of non-financial services (describing something by what it's not!) that had been in use prior to it BDS seemed appropriate and positive. And, over time BDS has become established as the term of choice for those in the field.

Yet, it has always been problematic. BDS is a term created by development agencies – it has no currency in the outside “real” world of business or in the economics field where “business services” is the normal term. So why have a different term; why have “development” there? A range of arguments have been put forward:

- Objectives – these are services that serve a developmental purpose and the name should reflect this. However, in the financial services’ field, agencies have not felt compelled to qualify/complicate terminology by adding “development”! From a business perspective – the consumer of services – they purchase services that are useful and are unlikely to want services that do not, in some way, contribute to the development of their business!
- Focus – these are services that are of “strategic” rather than “operational” importance. Yet these terms are arbitrary and subjective and not especially meaningful to business consumers who are much more likely to define services in relation to the benefits they gain from them. Obviously, in selecting BDS markets in which to intervene, agencies do need to be guided by strategic aims – how to make a substantial and lasting difference to the economy (and on poverty) – but this could involve a wide range of different services⁷.
- Benefits – these are services that have some element of public good. However, while there are few “pure” public goods (non-rival and non-excludable) there are many which could be argued have some public goods character – and many of these (eg training) are often provided on a private basis.

None of the above arguments offer a valid reason for the BDS term. But, even now, tortuous debate goes on over what is meant by the development “bit” as if, surely in its naming, there had been some level of unique insight which has just been mislaid carelessly and only awaits recovery! The search is a fruitless one. BDS *are* business services. Increasingly any benefits from maintaining the BDS label appear limited in comparison to the costs of confusion and artificial separation from the wider private sector development world.

⁶ For example through the Donor Committee on Small Enterprise Development.

⁷ The point is well made in the Blue Book.

Conclusions

The BDS – or business services - market development field has clearly made some notable progress in its first few years of endeavour. More agencies are committed to it and more resources are being allocated under its name or influence. In order to ensure that these initial, positive steps are built on successfully – and to address inevitable signs that spread has not been matched by depth in understanding - the field needs now to address a number of key, broad-ranging challenges. These are concerned with:

- re-asserting the conceptual rigour that underpins the business services market development approach (for example, the flow of logic and the market analysis);
- confronting the difficult issues of how to operationalise the approach (flexibility in project design, defining the role of the state, developing facilitation offers); and
- building the capacity of organisations and personnel to undertake key tasks.

Confronting these is essential but will often not be straightforward. In doing so, however, agencies should take comfort that these issues are not unique to business services. The challenges identified in developing markets for business services are similar to those that should be confronted in the wider private sector development field. Learning here should have much wider relevance beyond the conventional “BDS box”.

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