
***Blog 1 of 2 in a series drawing on lessons from [Georgia's Rural SME Development Project](#) (RSMEDP)***

The traditional Business Development Services (BDS) playbook is familiar. Identify struggling businesses, pay (or *incentivise*, as some programmes prefer) service providers to offer their services to said struggling businesses and build provider capacity for good measure. Repeat until funding runs out.

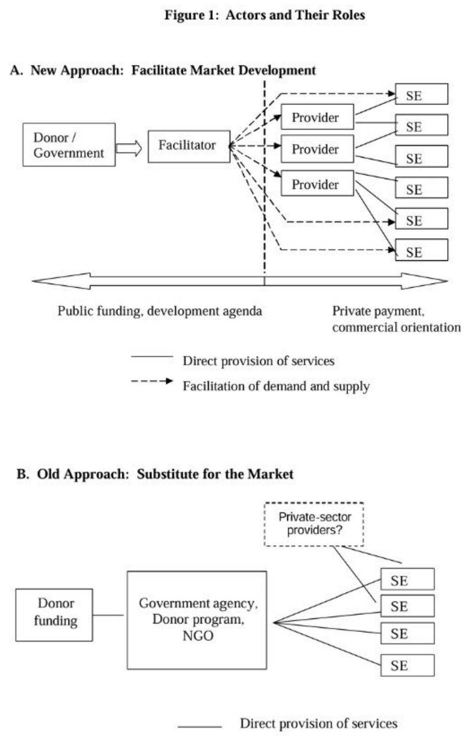
The development sector has been "supporting SMEs" for roughly half a century, yet access to quality business development services remains "limited, fragmented and often unsustainable".

**Why do we keep doing this?**

It is worth asking why MSD programmes keep investing in BDS despite questionable success.

Partly, it is our frameworks. BDS sits as a supporting function in virtually every doughnut a programme has ever drawn, which makes it a convenient starting point. We know how to go about it, so it gets added to the intervention list. Mostly, it is that BDS delivers quick results that get reported before anyone gets around to asking the pesky sustainability questions.

Our obsession with BDS is no accident. It is MSD's origin story. By the early 2000s, the sector had accepted that delivering subsidised advice straight to small firms didn't lend to scale or sustainability. So we decided to stop providing services and started building markets for them. *Facilitate, don't deliver* became our mantra.




Yet it is worth noting that "BDS" is largely a development construct. Businesses rarely buy BDS. They buy accounting, legal services, marketing support, software, technical expertise or finance. The fact that we treat these as a single market may explain some of the trouble that follows.

Often a more accurate acronym for what we deliver under the BDS umbrella is a letter shorter. And businesses aren't buying that either.

**What are we getting wrong?**

Now, in our facilitation era, direct delivery is the villain. No self-respecting MSD programme would be caught dead delivering training to firms. We learned our lesson; we facilitate now.

Except we don't, quite. We still pay someone to deliver the training – we just stand one step back. The trainer is now a "service provider”, the subsidy a "cost-sharing arrangement” and the programme congratulates itself on building the BDS market. But there is no clear thesis on how that market operates without programme support, or why this resolves the problems direct delivery was abandoned for. We outsourced direct delivery and rebranded it facilitation.

There are four main issues with how we deliver BDS interventions.

**BDS sometimes suffers from the “solution in search of a problem” syndrome.** Projects see underperforming small firms and try to develop solutions (directly delivered or otherwise) to help the struggling businesses. The reality is often that the causes of underperformance are deeper: too many firms in sectors with thin opportunities, limited competitiveness and hampered by more fundamental constraints to feasibility, like infrastructure, high input costs and inefficient routes to market.

**Even where advice is the answer, we confuse symptoms with root causes.** Small businesses do struggle with marketing, financial management and product quality. The donor-funded training and advisory services could help with all of these. But that misses the more important question: why aren’t small businesses using advisory services already? Awareness and affordability are the easy answers. Beneath them sit harder problems of firms locked out of finance, low trust in service providers and a supply side that does not consider small and rural markets worth the effort. When a programme supports advisory services, it addresses surface problems while leaving the underlying constraints untouched. The result is firms that don't seek out services once the subsidy ends and a market that remains out of reach to most SMEs.

**The support itself is generic.** Donor-supported services are typically standardised rather than tailored – pre-packaged curricula delivered without diagnosis of what an individual business actually needs and with little follow-through once the training ends. This approach rarely goes deep enough to improve business performance meaningfully. It also does little to build the relationships and trust between businesses and providers that would make firms want to come back.

**We distort the market we claim to build.** When programmes subsidise advisory services, they reshape the market around the subsidy. Providers orient themselves towards donor-funded contracts rather than building a genuine client base. Businesses come to expect free or heavily subsidised services, making it harder for commercial providers to compete or survive. When the programme ends, it often leaves a market in worse shape than it found it, with inflated expectations on one side and hollowed-out supply on the other.

**Getting it right**

Treating BDS as a systems problem rather than solving it firm by firm means being honest about the limits of our facilitation when there are no genuine incentives or business models underneath it. It means asking who, locally, has the motive to keep advisory services running long after the project closes.

Georgia's Rural SME Development Project (RSMEDP) offers one picture of what this can look like. Working with Enterprise Georgia, a state agency mandated to promote entrepreneurship nationwide, the project has supported a network of Growth Hubs that connect rural SMEs to private advisers and commercial finance.

Georgia's Growth Hubs are not interesting because they offer advisory services; plenty of programmes do that. They are interesting because they were designed around the very reasons conventional BDS fails.

The Growth Hub design works on the tricky issues of trust, inclusion and customised advice. Every engagement between an entrepreneur and Growth Hub starts with a diagnostic of what a business needs before anything is prescribed. Half the firms discover they need something different from what they walked in asking for. Businesses can then choose their own advisers from a roster of 40+ private consultants, keeping providers accountable to clients rather than to the agency, and giving them a reason to invest in relationships that outlast a single contract.

Subsidies are part of the model but used with discipline. Advisory services are co-financed, not free, so businesses develop the habit of paying for expertise. Loans carry preferential interest rates (a deliberate shift from grants that Enterprise Georgia previously offered), routed through commercial banks to preserve the lending relationship and build a credit history. Eligibility criteria keep the subsidies targeted to businesses below a certain revenue threshold, with additional provisions for women entrepreneurs, displaced entrepreneurs and priority sectors.

And it matters who is doing the subsidising. Unlike donor-funded programmes with fixed timelines, government agencies can embed these subsidies in long-term public financing and use them to build trust, bring services to rural clients, and widen inclusion.

Whether this adds up to systemic change, we don't yet know. Roll-out and uptake have been impressive, but these are not results. The evidence that matters will come over the next few years: whether firms return for advice without a subsidy, whether advice translates into growth and jobs, whether borrowers graduate to fully commercial finance and, most critically, whether government budget allocations continue to finance the Growth Hubs.

*Most BDS partners are private sector ones; RSMEDP, somewhat unconventionally, found its most motivated actor in a government agency. The MSD approach is criticised both for not working with the public sector enough and for being unsuited to it. Yet many programmes do work with government, well beyond policy. Our next blog looks at why that can make sense and what it takes to do it well.*