

Responding to the Challenge of AIDS: The Role of BDS



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The Challenge

- Microenterprise caught in vicious circle making growth difficult even without AIDs
- Economic coping strategies tend to be survival oriented not growth oriented
 - modest but steady returns
 - early diversification
 - investment in assets that appreciate
 - preserve ties (social capital)
- Not not generally the focus of BDS as normally defined



What is BDS?

- Any “non-financial” service to business, offered on either a formal or informal basis--- such as:
- skills training
- market research & linkages
- accounting and financial management
- technical services
- brokering networks
- communication services
- management consulting



Borderline BDS

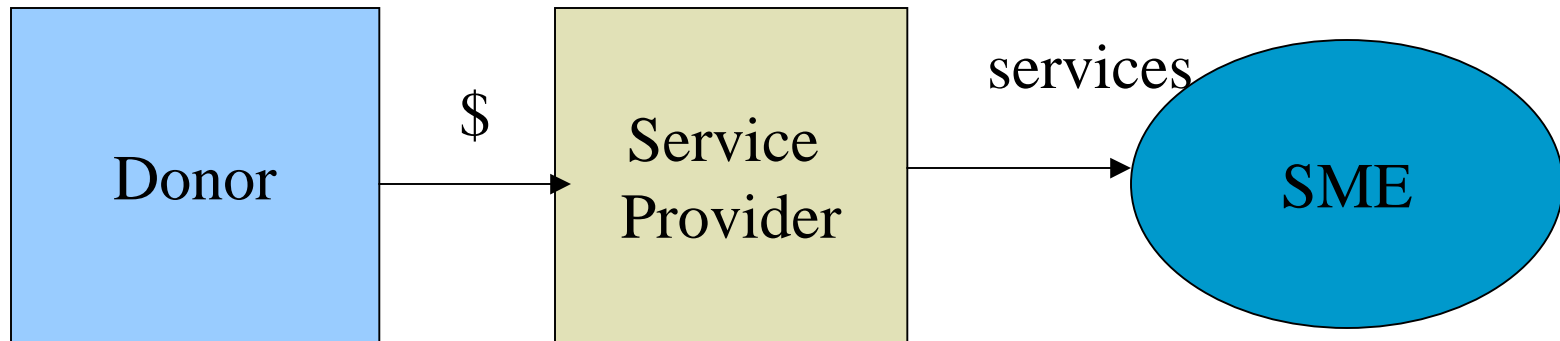
- **Borderline:** Bundled products and services, technology products aimed at productivity increases, like pumps and fax machines.
- **Often excluded:** financial services, manufactured goods, utilities, social services, education, health care, advocacy, consumer products like desks and chairs



Why is BDS important?

- Businesses have a wide range of needs that are critical to their growth & development.
- Financial services alone are necessary but insufficient to foster business growth.
- BDS provide options to buy rather than make or do; allows division of labor and skills to emerge, greater efficiencies leading to more complex business systems

BDS model: Older Version



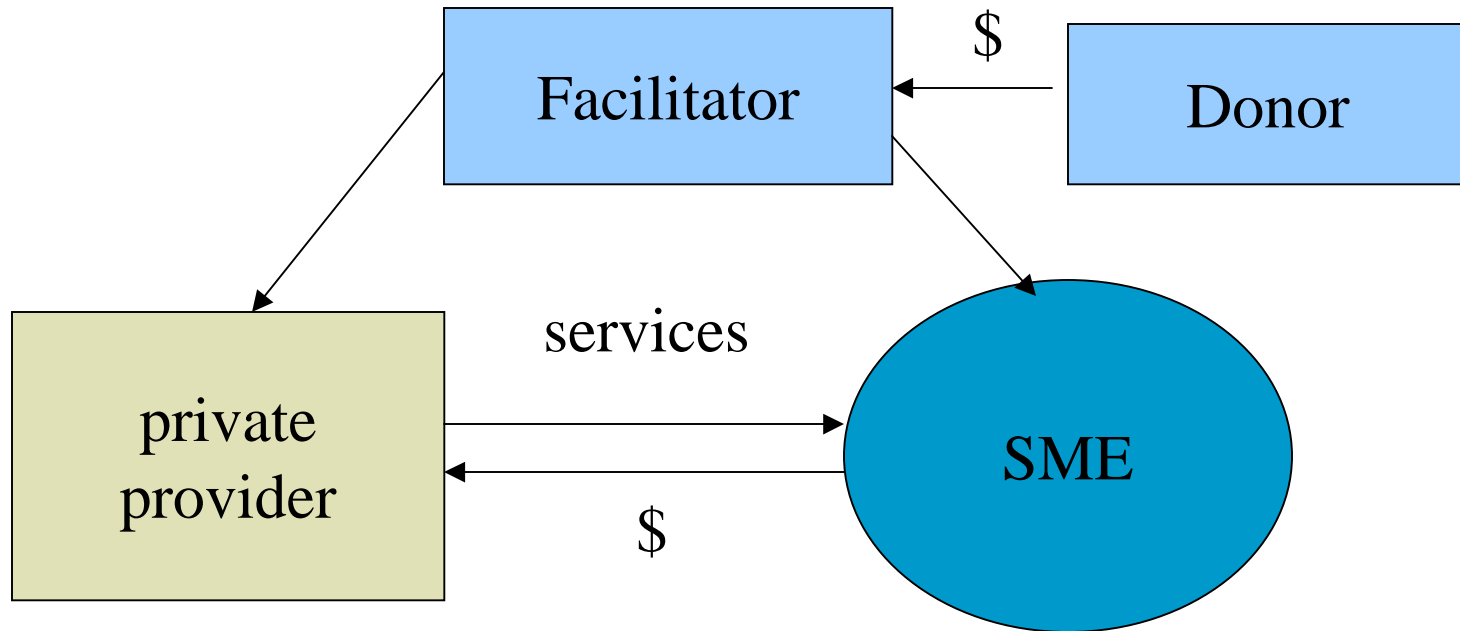
The emphasis is on building up the capacity of the service providers and subsidizing the services to SMEs- pushing out the supply of services to target groups.



Trends in BDS Thinking

- Shift in focus towards customer “wants” (willingness to pay or invest something) not how others see their needs.
- Facilitate private providers to enter the market rather than continue to supply direct subsidized services to clients
- Market development emphasizing transactions, demand pull rather than supply push

BDS Model: Newer Version



Emphasis on intermediation of supply and demand using both supply and demand side interventions to develop market for BDS



The Response: Some ideas

- Broaden the concept of BDS customers beyond traditional SMEs to include households, farms and CBOs
- Adopt a customer point of view- what do they want and what are they willing to invest in?
- Understand the business system in which your customers are embedded



The Response Continued

- Work with multiple suppliers, especially companies that can open up new markets.
- Focus on linkage programs with larger businesses and collaborative networks for quickest results
- Innovate, develop and market test new products & services that customers want and are willing to pay for and can afford



The Response Continued

- Experiment with demand side subsidies: vouchers and matching grants bring suppliers into relationship with customers
- Broker cooperation among small producers for greater efficiencies and competitive advantage—build on local networks
- Network: link customers with suppliers of resources : finance, jobs, services



BDS Design Principles

- First understand the business system
- Be business-like and demand-led
- Have a clear picture of sustainability not only for providers but the market too.
- Think strategically and make linkages with other organizations and businesses
- Intervene with minimal market distortion
- Plan outreach around market-led principles
- Measure performance, learn and adapt