A glance at BDS Markets and Pioneering Providers in Central America

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Marieke de Ruijter de Wildt

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<th>Description</th>
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<tr>
<td>AFIS</td>
<td>Apoyo y Formación para la Internacionalización de las Empresas Salvadoreñas</td>
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<tr>
<td>ANEP</td>
<td>Asociación Nacional de Empresa Privada</td>
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<td>ASPPE</td>
<td>Apoyo al Sector Productivo y la Pequeña Empresa</td>
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<tr>
<td>BCIE</td>
<td>Banco Centroamericano de Integración Económica</td>
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<td>BDS</td>
<td>Business Development Service</td>
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<td>BS</td>
<td>Business Services</td>
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<tr>
<td>CADERH</td>
<td>Red de Centros Vocacionales que regenta el Centro Asesor para el Desarrollo</td>
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<tr>
<td>CDH</td>
<td>Centro de Desarrollo Humano</td>
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<tr>
<td>CEFE</td>
<td>Competency based Economies through Formation of Enterprise</td>
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<td>CEGE</td>
<td>Centro de Gestión Empresarial</td>
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<tr>
<td>CENPROMYPE</td>
<td>Centro para la Promoción de la Micro y Pequeña Empresa en Centroamérica</td>
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<tr>
<td>CERTEC</td>
<td>Centro De Recursos Y Tecnología</td>
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<tr>
<td>CNI</td>
<td>Centro Nacional de Información</td>
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<tr>
<td>CONAC</td>
<td>Comisión Nacional de Calidad</td>
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<tr>
<td>CONAMIPYME</td>
<td>Comisión Nacional para la Micro, Pequeña y Mediana Empresa</td>
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<tr>
<td>CONAMYPE</td>
<td>Comisión Nacional para la micro y pequeña empresa</td>
</tr>
<tr>
<td>CUPROFOR</td>
<td>Centro de Utilización y Promoción de Productos Forestales</td>
</tr>
<tr>
<td>DGFE-DPYME</td>
<td>Pequeña y Mediana Empresa</td>
</tr>
<tr>
<td>FAT</td>
<td>Fondo de Asistencia Técnica</td>
</tr>
<tr>
<td>FHIS</td>
<td>Fondo Hondureño de Inversión Social</td>
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<tr>
<td>FIDE</td>
<td>Fundación para la Promoción de las Inversiones y Exportaciones</td>
</tr>
<tr>
<td>FUSADES</td>
<td>Fundación Salvadoreño para el desarrollo económico y social</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GTZ</td>
<td>Deutsche Gesellschaft für Technische Zusammenarbeit</td>
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<tr>
<td>IADE</td>
<td>Instituto Americano De Desarrollo Empresarial</td>
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<td>IDB</td>
<td>Inter-American Development Bank</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>INADE</td>
<td>Instituto Nacional de Aprendizaje</td>
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<tr>
<td>INATEC</td>
<td>Instituto Nacional Tecnológico</td>
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<tr>
<td>INDE</td>
<td>Instituto Nicaragüense de Desarrollo</td>
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<tr>
<td>INDE</td>
<td>Instituto Nacional de Desarrollo</td>
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<tr>
<td>INFOP</td>
<td>Instituto Nacional de Formación Profesional</td>
</tr>
<tr>
<td>INPYME</td>
<td>Instituto Nicaragüense de Apoyo a la Pequeña y Mediana Empresa</td>
</tr>
<tr>
<td>INSFORP</td>
<td>Instituto Salvadoreño para la Formación Profesional</td>
</tr>
<tr>
<td>IS</td>
<td>Institutional Services</td>
</tr>
<tr>
<td>ITCR</td>
<td>Instituto Tecnológico de Costa Rica</td>
</tr>
<tr>
<td>MAG</td>
<td>Ministerio de Agricultura y Ganadería</td>
</tr>
<tr>
<td>MEIC</td>
<td>Ministerio de Economía, Industria y Comercio</td>
</tr>
<tr>
<td>MICIT</td>
<td>Ministerio de Ciencia y Tecnología</td>
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<tr>
<td>MIFIC</td>
<td>Ministerio de Fomento, Industria y Comercio</td>
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<tr>
<td>MINEC</td>
<td>Ministerio de Economía</td>
</tr>
<tr>
<td>MTSS</td>
<td>Ministerio de Trabajo y Seguridad Social</td>
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<tr>
<td>NGO</td>
<td>Non Governmental Organization</td>
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<tr>
<td>ODCA</td>
<td>Organización de Desarrollo Comunitario Alternativo</td>
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Chapter One

1 Introduction

This report is a preliminary inventory of enriching experiences in Business Development Service\(^1\) (BDS) in Central America. The research has been financed by the International Labour Organization and is directed to BDS practitioners in general\(^2\). The overall aim is to recognize the wealth of experience present in the region and more specifically, focus on commercial BDS providers. Following the introduction which explains the background, objectives and methodology of the research, the report consists of three parts: a short introduction into BDS in Central America, a description of BDS provisions in Costa Rica, El Salvador, Honduras and Nicaragua. Lastly, the report presents 8 case studies of pioneering BDS providers.

1.1 Background

The BDS Market Development Approach

In the mid nineties, the Committee of Donor Agencies\(^3\) formed a BDS Working Group with the objective to identify and document best practices. This resulted in the guiding principles for donor intervention, the so-called Blue Book in 2001, that indicates a significant change in the approach to non-financial small enterprises intervention. It was recognized that traditional interventions failed to provide affordable quality BDS to a large proportion of small enterprises. The essential conclusion drawn was that interventions had to rely on private sector providers. The Blue Book asserts that outreach and sustainability can only be achieved if there are well-developed BDS markets and that “with appropriate product design, delivery and payment mechanisms, BDS can be provided on a commercial basis even for the lowest-income segment of the entrepreneurial SE sector”\(^4\). Accordingly, donors should refrain from direct BDS provision and should not subsidize the direct transaction between provider and demander. It is important to realize that the BDS market development approach as it has been dubbed, does not denounce subsidies as such but aims to avoid unfair competition and aspires to be watchful for the distorting effects of subsidies. By and large, there is agreement that pre- and post-transactional subsidies are less distorting than subsidies that directly finance the transaction between BDS supplier and

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1 BDS are services that improve the performance of the enterprise, its access to markets and its ability to compete (Blue Book, 2001)
2 For the terms of reference, see annex A
3 This Committee is a group of 20 multilateral development agencies (among which the World Bank, all regional development banks, and many UN organizations like the ILO), and 20 bilateral agencies
4 Committee of Donor Agencies, 2001, p.1
demander. In short, the market development approach builds on the assumption that markets do exist, however weak they might be, and proclaims that interventions should be planned in accordance with existing market mechanisms. Donors are advised to play a facilitating role, strengthening the weak supply of and demand for BDS.

As a consequence, BDS interventions ideally start with a BDS market assessment in order to gain information on what exists in a particular BDS market segment. Although this relatively new area of market assessment has generated interesting knowledge about the functioning of commercial BDS market, the main challenge remains as to how donors can strengthen market mechanisms in a sustainable way. An important platform for discussion in this respect is held in September at the annual BDS Seminar in Turin, Italy, which is organized by the International Labour Organization (ILO) and the ILO International Training Centre. Last year’s Seminar was the third one and had the title “Developing Commercial Markets for Business Development Services: Are ‘how-to-do-it’ recipes possible?” One of the many conclusions drawn was that recipes are still far-off. BDS markets not only vary from sector to sector, but also are very different from place to place, and change over time. Another conclusion drawn was that there are examples of interventions that adopt elements of the BDS market development approach, though few interventions really work with private sector agents in such a way that it benefits the market as a whole. It remains complicated to enhance commercial markets without disturbing them. The need persists for more knowledge about commercial BDS markets. In line with studies in Vietnam, Thailand, Ethiopia, Ghana, Peru and very recently, Kyrgyzstan, the focus in this report is on commercial BDS providers.

Objectives

The research that underlies this report had two objectives. One objective rose during last years BDS Seminar. Despite the many BDS interventions in Central America there were few examples from that region and this report aims to give more recognition to the experiences in Central America. A second objective, that logically follows the first, was to identify practices that can serve as learning points for BDS market intervention. The research, that had the characteristics of a quick look-around, was to explore commercial BDS provisions in order to better understand the variety of supply mechanisms. It needs to be emphasized that the focus is on service delivery and the report predominantly deals with the supply side of BDS markets. The developmental impact of the service is to some extent left out.

5 A pre-transactional subsidy is for example spent on product development, test marketing or product adaptation. Post-transactional subsidy could be spent on evaluations and impact studies
6 Committee of Donor Agencies, 2001
7 ILO, 2002
8 Anderson, 2000; Roggekamp, 2001; Pejerrey and Tueros, 2000; Roesler and Ryazanov, 2002
9 There are regional studies that describe best practices from other regions (see for example MC2, 2002) but the explicit objective in this study was to look for so-called best practices in the region
1.2 **Methodology**

Central America consists of 7 countries when Panama is included. The study was executed in four countries: Costa Rica, El Salvador, Honduras and Nicaragua. The target was set to identify 2 interesting cases of BDS providers in each country. The research was set up in the capital since BDS markets are supposed to be most developed in urban areas and took place in March and April of 2003. The methodology had three phases in each country. In the fist phase contextual information was collected on national BDS markets, the second concerned the selection of 10 potentially interesting BDS providers, and the third phase selected the 2 most interesting cases out of those 10.

Phase (1) started with Internet search and the consultation of key sources. Phase (2), the pre-selection phase, was initially centered around the entrepreneur as the main information source on commercial BDS markets. However, it was soon realized that it was too time-consuming in weak markets with low BDS usage, and the focus was moved towards national key-actors. Open interviews were held with at least 20 actors in each country: policy makers, international donors, NGOs and BDS providers. At the demand-side interviews were held with associations and a questionnaire was used with 15 national entrepreneurs, in order to get a random idea of the demand perception\(^\text{10}\). An assistant in each country took those semi-structured interviews. Based on that information, 10 potentially interesting BDS providers were selected in the second phase. In phase (3) these 10 providers were scored in four areas:

- Focus on small and micro enterprises
- Focus on capacity development of the client enterprise
- Subsidy independence
- Reactivity to demand and market opportunities

Subsequently, these scores helped to select 2 ‘pioneering’ providers per country. All 8 providers were interviewed and were asked to fill in a questionnaire from which the case studies have been written up\(^\text{11}\). Before these case studies are presented, the next section, chapter two, provides a short introduction into BDS in Central America by presenting definitions, the intervention model and regional BDS initiatives. The third chapter describes interesting aspects of the four national BDS markets. The fourth chapter portrays the 8 case studies. The report is more descriptive of character than analytical, consequently chapter five summarizes the state of affairs and gives suggestions for further BDS market development interventions.

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\(^{10}\) See annex C for a list of interviewed persons

\(^{11}\) See annex D for the questionnaires
2 BDS Markets in Central America

2.1 Definitions

Small and Micro Enterprises

Before BDS markets are touched upon, a short description and the definition of small enterprises is presented. Small enterprises are by far the majority of enterprises in Central America. The micro and small enterprise sector, all enterprises with less than 20 employees, represents approximately 97% of the establishments in the region, 42% of total employment\(^\text{12}\) and the sector contributes between 10 to 15% to GDP. The micro and small enterprise sector consists of mainly self-employed (80%), 15% micro enterprises and only 5% small enterprises. The most important sector is commerce, including restaurants and hotels. In Honduras and El Salvador this sector represents half of the all micro enterprises, in Nicaragua two thirds and for Costa Rica one third. Costa Rica is the most diversified in terms of sectors. The second most important sector for micro enterprises in the region is manufacturing, largest in El Salvador and Honduras where it presents about one fifth of the micro enterprises, followed by Costa Rica and then Nicaragua. The average monthly salary earned in micro enterprises in 1999 in Central America was USD 179. Costa Rica has a slightly higher income, El Salvador presents the average and both Honduras and Nicaragua are below that\(^\text{13}\).

Recently it has become common practice to not only differentiate enterprises by size, indicating employees and sales, but also by levels of capital accumulation, indicating work capital, organization of production and market links. Within the micro and small enterprises there are 4 categories, independent of size: (1) Modern (2) Traditional with capital accumulation (3) traditional with little capital accumulation (4) and the traditional subsistence enterprise. For size, independent of accumulation level, there is generally a differentiation between self-employed, micro enterprises with less than 5 employees, small enterprises with 6 up to 10 employees, and medium enterprises with 11 and above\(^\text{14}\). The focus of this report is restricted to the smaller section of enterprises. In the remainder of the report the label micro enterprise refers to a marginalized group of enterprises\(^\text{15}\), generally with 10 or less employees, amongst which are those with growth potential and those with less growth potential.

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\(^{12}\) Because of the many self employed, the micro sector accounts for only 16% of salaries employment

\(^{13}\) Arroyo and Nebelung, 2002

\(^{14}\) Arroyo and Nebelung, 2002

\(^{15}\) The IADB proposes to use the term small and medium enterprises to refer to all enterprises with a somehow inferior position, independent of size or formality 2000
Business Development Services

There have been several attempts to bring some order into the wide variety of BDS. A possible distinction is that between strategic and operational services, yet, there is no consensus as to what might be the most adequate classification. More common in Central America is the distinction between Institutional Services (IS), Business Services (BS) and Business Development Services (BDS). Institutional Services are directed at the sector as a whole and addresses the business environment and its institutions. An example of an Institutional Service is the formation and strengthening of associations, or modifications in the legal framework. Business Services are those that address the effectiveness of the enterprise, they generally aim at improvement of production conditions. BS concentrates on the administrative and production process, as is the case of a cash-flow analysis, or product design. In contrast, Business Development Services focus on enterprise processes and entrepreneurs, and aim to augment the enterprise’s capacity. Ideal forms of BDS are for example services that introduce new technologies or those that address management issues. Of course, since enterprises are complex and integrated entities, the definitions of IS, BS and BDS are far from exclusive and many services cover more than one aspect. This paper focuses on services that are directed to the enterprise, hence on BS and BDS, and adopts the point of view that BS and BDS are two sides of the same coin, as both at least enable enterprise performance, and at best, lead to improved performance. Moreover, it is the entrepreneur that determines whether a service is only facilitating production or whether it augments the capacity of entrepreneurship and enterprise.

2.2 BDS Markets

BDS Intervention Model

Micro enterprise development is not new to the region but had a strong upsurge during the nineties. Huge flows of international aid for post-conflict reconstruction and poverty alleviation entered the region at the end of the eighties and initiated small enterprise development programs. However, initial enterprise support predominantly focused on financial issues and BDS interventions began at the end of the 90s.

What draws immediate attention when following the BDS discussion in Latin America is that people speak of “pisos”, literally meaning floors. It refers to different intervention levels with their different actors and different functions. Generally, four floors are distinguished. The fourth is the governmental level

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17 In the rest of the paper BDS refers to both BS and BDS and will be specified when necessary
18 See for example de Ruijter de Wildt and Romijn, in print, or Lowe, 2003
19 During the socialistic era that dominated the region in the fifties, legal commitments have been implemented that favor marginalized groups like small-scale producers. However, these laws had little follow-up in practice (see for example Briceno, 2002)
where policies are made, hence at national level refers mainly to ministries. The third level is the planning and programming level, both government and international donors. The second level is the BDS delivery level, has the widest variety of actors: universities, associations, NGO, enterprises, amongst others. The first level refers to the collection of enterprise, the BDS demand. The floors indicate intervention levels and actors often intervene at different levels at the same time, as for example programs often also are service providers. A more elaborated explanation would be beyond the scope of this report, but BDS markets will be examined following this analytical system since it does create a certain level of structure in the wide variety of BDS actors.

Figure 2.1: The System of Intervention Levels

Source: MIFIC (2002)

Over the past three years, most countries have adopted a law for the formation of small and micro enterprises and political commitment to BDS market development seems to be growing. A comprehensive regional program to strengthen small and micro enterprises in Central America has been PROMICRO, an ILO project. Its consolidation phase ended with the creation of CENPROMYPE 20 in 2002, located in El Salvador and seems to confirm current increase in governmental commitment to micro enterprise development, and BDS markets. This unique initiative has the main objective to strengthen public and private support mechanisms for the sector and coordinate regional activities 21. Though still very young, it would be the ultimate organization for the coordination of BDS interventions in the region.

Although the magnitude and features of the micro enterprise sector are rather well documented in the region, there is little material available on BDS markets. The benchmark in the Latin American and Caribbean region by 1996 was that approximately two thirds of BDS providers charged some fee, and on average, the cost recovery was 34% 22. A Bolivian study points out that the majority of

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20 http://www.cenpromype.org
21 Arroyo, 2002
22 Goldmark and Berte, 1996
BDS providers are NGOs and Foundations, at least the non-profit sector. Supposedly, only 4% of enterprises are attended to by commercial BDS providers. The same study stresses that data from 25 countries showed that only 10% of the providers could be auto-sustainable. For Bolivia, 88% of the providers offer some form of subsidy to its clients and 30% think they can be sustainable in the long run, which seems to be the leading institutions that currently cover less than 22% of their costs with sales. The other 70% of providers do not have plans to reach auto-sustainability23.

Table 2.1: Participation of different actors in the Bolivian BDS market

<table>
<thead>
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<th>Share in BDS offer (%)</th>
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<tr>
<td>NGOs and foundations</td>
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<tr>
<td>Private technological institutions</td>
</tr>
<tr>
<td>Limited Companies</td>
</tr>
<tr>
<td>Private technologic schools</td>
</tr>
<tr>
<td>Public universities</td>
</tr>
<tr>
<td>Commercial enterprises</td>
</tr>
<tr>
<td>Private universities</td>
</tr>
</tbody>
</table>

Source: Sainz, 2001

Apart from this material of South America, there are no market assessments or studies on BDS markets for Central America as a region. In general, specific material about BDS is still scarce, let alone on commercial BDS. El Salvador has best documented its BDS markets, followed by Nicaragua, Honduras and Costa Rica respectfully. It can be safely stated that donors play an important role in BDS markets and subsidies are common practice. The next chapter features interesting aspects of these four national BDS markets which are presented per intervention level.

23 Sainz, 2001
3 National BDS Markets

3.1 Costa Rica

Although Costa Rica is economically and democratically the most advanced country, economic policy has been focused on medium and large enterprises. It was not until May 2002 that the law to strengthen small and medium enterprises was passed. Part of that law has been the installation of an advisory board for small enterprise development with a mixture of governmental and private sector representatives\(^\text{24}\). This board will advise the governmental body on small and medium enterprise policies, DIGEPYME that belongs to the ministry of economy, industry and commerce, MEIC\(^\text{25}\). However, government policies on micro enterprises remain dispersed and there is no specific BDS focus.

Costa Rica has three ministries that, hypothetically speaking, have different micro enterprise segments under their responsibility. The Ministry of Labour and Social Security (MTSS) that is focused on marginalized enterprises, the MEIC is responsible for micro enterprises with growth potential, and the ministry of Agriculture and Livestock (MAG) has responsibility for micro agro-producers. The MEIC promotes competitiveness and, for example works to simplify regulation. It is the most important governmental player in terms of BDS. The MEIC is not directed at micro enterprises but at small and medium sectors and covers three strategic areas: improvement of the business environment, technological development by strengthening the link with research institutions and universities, and sector strengthening\(^\text{26}\). An important element is an information system for enterprises and related institutions (MEIC-SIEC). It contains a directory of enterprises where enterprises can register to promote themselves and the website contains a set of tools to calculate taxes, and cites support service providers in financial and BDS areas. The BDS section includes a wide selection of areas and assists the surfer to find an appropriate provider for training and consultancies\(^\text{27}\). Another interesting element of the MIEC is the national commission for quality (CONAC) that tries to bring unity in the different quality standards and prepare enterprises for international markets. At present, there are a number of programs with a strong focus towards exports, like

\(^{24}\) It includes 10 members, 3 representatives from 3 ministries, the national vocational training institute INA, the body for export promotion PROCOMER, a representative of the universities and 2 enterprise associations
\(^{25}\) Briceno, 2002
\(^{26}\) MIEC adopted a cluster approach in 1984 (Briceno, 2002)
\(^{27}\) http://www.siec.go.cr/
the program “Inpulso” that aims to simplify procedures. However, like most of
the programs of this ministry, it strongly leans towards national medium and
foreign enterprises. In the technological area it can be mentioned that the MEIC
works in cooperation with the ministry of science and technology (MICIT). Since
1990 a trusteeship channels public funds towards technological investment for
small and medium enterprises. It also supports the enterprise incubator from the
technological institute (ITCR) that was initiated in 1994. The incubator channels
both public and private investment into innovators and young starters by assisting
beginning enterprises with office facilities, technological knowledge and links
them with prestigious enterprises, of which some help finance a part of the
centre 28.

Although in the midst of a privatisation process, the Costa Rican government still
has a strong position in the market. It is not only the largest provider of resources
in microfinance 29, it also holds a relatively strong position in BDS. Besides these
governmental programs, there are no other programs or projects with significant
BDS aspects.

Second Level

Costa Rica counts for the oldest vocational training institute of the region, INA,
created in 1965, and provides a great variety of courses to employers and
employees. Its budget comes from a levy on the loan costs of private enterprises.
Non-agricultural enterprises, with at least 5 employees, contribute 2% of the
monthly loan costs and agricultural and livestock enterprises 0.5%. In 2002 it
trained 150.000 people which is about 4% of the population 30. The INA has been
evaluated as one the best governmental institutions of Costa Rica that showed
responsiveness to modernization 31. It plays an important role in the certification
of experience and its courses can lead to a diploma. Since 2000 it has a micro and
small enterprise department with 7 full-time staff members and has served 320
enterprises with free BDS in 2002. Part of the new law is that the INA has to
focus more on BDS.

Costa Rica, with the least poverty, receives fewer and fewer funds from
international cooperation and compared to the other countries, has few NGOs. A
large foundation from a Swiss origin is FUNDES that operates in 11 countries in
Latin America and has an office for Central America in Costa Rica since 1987. It
plays a part in the national BDS market by offering services of consultancies and
training directly to Costa Rican enterprises. It maintains a very informative
website directed at smaller enterprises: MIPYME.COM 32. Through studies and
recommendations it aims to improve the institutional environment 33. However, its
budget predominantly comes from donations 34.

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28 Briceno, 2002
29 Villalobos et al., in print
30 INA, department of evaluation processes and statistics
31 http://www.cinterfor.org.uy
32 http://www.mipyme.com/
33 See for example Castillo and Chavez, 2001
34 http://home.fundes.org/
Another actor in the BDS market is CEGESTI, a private centre with a regional mandate and is focused on industrial technology. Although it commenced with large EU funds, CEGESTI increasingly has to search for its own funds. Its services portfolio contains training and consultancies in various areas like quality management, strategic management, internationalisation, and touches many environmental issues. There are two interesting points to make here. One is that CEGESTI initiated the market for ISO certification in Costa Rica, and perhaps even in the region. In 1990, it was the only organization that issued ISO certification whereas ISO certification now is a well-developed market. The other aspect is that they began with a business-coaching system that stets off with a contract between an enterprise and CEGESTI. It implies that during a certain period a CEGESTI consultant visits frequently on a on a fixed schedule and coaches the enterprise in any required management issues. Besides its flexibility, there are several advantages to the model as a relationship of trust is built up, the consultancy costs are incremental, and CEGESTI has access to a network of experts in all areas of business development. Like many BDS players, they have no specific focus on micro enterprises though they do not discriminate either. Still, CEGESTI relies on external sources.

Costa Rica has a couple of commercial training centres that target small and medium enterprises and have to compete with CEGESTI and FUNDES without external funding. There is for example the institute for human development (Instituto de Desarrollo Humano), the training centre for entrepreneurial training (Centro de Capacitación Empresarial) and the centre for professional actualization (Centro de Actualización Profesional). All three organise seminars, offer both open and individualized trainings, and do consultancies. One example of a seminar is corporate identity. The variety of courses range from an analysis of the economy of the USA and its implications for Costa Rica, to stress management, and to how to combat piracy. Practically, they all have a wide network of associated experts and organize whatever is demanded. Yet, the core business of its training is finance, legal issues and marketing. This segment of the BDS market, aiming at larger enterprises, seems well developed. What is getting more common and becoming a market in itself is that NGO or donor agencies pay these professional training centres to offer their service to marginalized groups in defined areas, often cooperatives. In other words, donors are subsidizing downscaling yet none of these commercial BDS providers perceive small enterprises, let alone micro, as a serious market niche.

PRODESA presents a typical history of a private BDS provider that does offer its services to microenterprises being financially engaged with donors. This small consultancy has a permanent staff of two that were both working in a training department of a micro enterprise development project. After three years, the project came to an end and these two staff members continued to offer training to the same donors, but now as consultants. Besides the donor funded projects, they also work directly with micro enterprises because of the relationships they built up during their trainings. According to PRODESA, most of these enterprises cannot pay individually for their service. They phone them and try asking for

35 http://home.capacitacion.or.cr/
36 An open course costs about US$350 for 8 hours
advice on specific problems, though on a very informal and personalised level. Micro enterprise associations and cooperatives also ask for their services what is cost covering and even profitable. However, most of their income comes from donors. The courses PRODESA gives today are more practical and more demand-driven, basically because they are no longer limited by project structures and have more freedom to adapt their service to the demand. PRODESA claims that it is difficult to charge the full price when working with micro enterprises, not only because of the limited capacity to pay, but the no-pay culture is strong and enhanced by the INA. It is difficult to become part of the INA consultancy data-base. INA asks cumbersome requirements, but above all it remains a political institution that requires a good network. The strengths of PRODESA are its professional experience and dedication to micro enterprises.

The BDS Market in Costa Rica

The formal BDS market in Costa Rica is probably the best developed one in the region in terms of quality. Educational levels are relatively high and business information up to date. About the quantity of the BDS market it has been noted that as much as 87% of enterprises have been involved in external training and more than half in consultancies. However, most microenterprises do not take part. BDS supplying agencies still not perceived micro enterprises as an interesting sector, having little paying capacity, low levels of organization and not valuing BDS. Microenterprises in turn evaluate BDS as expensive, too specialised, and apparently yielding a mismatch between expectations and delivery. The large influence on consultancy prices comes from the government that long ago allowed large training budgets for of its officials, stimulating the BDS market but spiking the price. As current government has put a hold on unlimited trainings, it is likely that prices will drop which would make this type of BDS more accessible for the smaller enterprises. Suggestions have been made that a bonus system might be effective for the development of BDS markets for the micro sector in Costa Rica.

From the interviews with the microenterprises it was learned that there is a fairly active informal service supply in San Jose. Once a micro enterprise is opened up, what basically only requires a lawyer, and the enterprise develops a certain level of activity, a variety of people will come up to offer operational services like taxis, accounting or cleaning. Those service providers are of course in search of employment rather than development. The microenterprises that were interviewed did not buy BDS though some form of BDS was provided by friends and family.

37 Reference is made to micro with potential, small and medium enterprises (ibid.)
38 Castillo and Chavez, 2001
39 Drawn from interviews
3.2 El Salvador

El Salvador is a particular case as the BDS market is probably the best organized market of the region. Small enterprise development in El Salvador goes back to the beginning of the 90s when international agents invested in the reintegration of the demobilised society as a result of the civil war. Also due to the fact that the initial actor in small enterprise development was the National Commission for Reconstruction. This period can be seen as the beginning of BDS intervention and the provision of BDS was strongly dominated by NGOs and international cooperation\(^{40}\). Over the last decade, small enterprise support has gone through an interesting process of professionalization. El Salvador has a strong body within the government that is responsible for the formulation of micro enterprise policies, CONAMYPE, the National Commission of Micro and Small Enterprises. Contrary to the other three countries, El Salvador has no law on micro enterprise formation but formed this commission in 1996 to coordinate the huge amount of projects and initiatives that aimed at enterprise development. After 7 years of existence it can be safely stated that CONAMYPE played an impressive role in the systematization of micro enterprise support, for example published the ‘Libro Blanco de la Micro Empresa’, a research into the exact constitution of the smallest section of enterprises\(^{41}\). Since 1999 it is directly part of the ministry of Economy, MINEC, and subsequently gets public finance. An important part of its tasks are still donor coordination and the maintenance of its ample documentation and information centre, both physically and on-line.

CONAMYPE is the pre-eminant governmental body with a role in BDS markets. Its website presents a comprehensive “Caja de Herramientas”, or toolbox, that includes guidelines on how to start an enterprise, how to administrate it, which laws are relevant, which free trade agreements are relevant, and where to get support. The support institutions are categorised into international cooperation, NGOs, governmental organisations and associations. Another current activity to make BDS available for smaller enterprises is a voucher program, FAT, that subsidises 80% of technical assistance. The FAT has 4 different models, one for

\(^{40}\) Emprende, 2000  
\(^{41}\) FOMMI, 1999  
\(^{42}\) Conamype, 2003
individuals, one for groups, one for associations and one for exporters that are imparted to several places. There is also a database of 350 consultancies.

INSAFORP, the Salvadoran institute for professional formation receives a levy on wages to subsidises training for enterprises and contrary to the other countries, is rather respected by the private sector. It is the most active in BDS market development. INSAFORP participates in research and has been supportive in BDS categorisation. Together with CONAMYPE, these are the two most successful governmental BDS actors that indeed serve the micro enterprise.

As yet explained, there are numerous projects and programmes for microenterprises of which only the most important donors will be clarified here. GTZ has been an important catalyst in the systematization of the BDS supply and has considerable influence on the quality of BDS through its CEFE training courses directed at (future) consultants. Also, on the institutional front it has made great efforts through four different projects. Three important beneficiary organizations have been INSAFORP, the national vocational training institute, CONAMYPE and ANEP, the national association for private enterprises.

Another important organisation is FUNDAPYME, the institutionalisation foundation of the cooperation between FUNDES and ANEP. Like the FUNDES office in Costa Rica, FUNDAPYME directly offers training as a second level organization, but also works to strengthen the business environment. It organizes a ‘Salon de Enlaces Empresariales’, meetings between large international and national enterprises and micro enterprises in order to support alliances and subcontracting. FUNDAPYME with ANEP and GTZ published a directory on BDS providers in 2000. It lists over 400 BDS providers organised per enterprise area by name, address and telephone, years of existence, principal services, applied methodology and its target client group. Shortly after that publication, in October 2000, a collection of 6 organisations realised the first trade-fair on BDS providers in 2000. During three days some 1410 enterprises, of which more than half were micro enterprises, came to visit the 71 different stands of BDS providers in professional formation, technical assistance and credit. The providing institutions had been given a preparative training in September and during the fair itself a jury selected the best-stand giving attention to visitors. For the provider it was an opportunity to meet potential clients but as important, to meet their competitors. The interviews that were held with visiting enterprises showed that women were more active in improving their enterprises, and that quality was the most important aspect of BDS, more than the prestige of the provider, and thirdly, price followed by flexibility. The most important impediments to BDS were a lack of information (42% of the interviewed), its high price (32%) distrust of the quality (20%) and a shortage of supply (7%). At the end of the fair, 129 contracts were signed between providers of and demanders for BDS. Consequently,

43 http://www.conamype.gov.sv/
44 http://www.insaforp.org.sv/
45 http://www.anep.org.sv
46 FUNDAPYME, ANEP, GTZ, 2000
47 The trade fair was a combined force of CONAMYPE, Swiss Contact, INSAFORP, the Ministry of Economy, FUNDAPUME and GTZ
48 ANEP/GTZ et al. 2000
another directory of only support institutions to micro, small and medium enterprises was published in 2001 by a collection of 8 agencies to further improve the transparency. Compared to the directory of BDS providers, the information is more elaborated and includes per organisation its branches, its mission, its geographical range, the services offered in detail, special services for the reconstruction after the earthquake, its target group and the prerequisites.

The past 10 years of BDS intervention in El Salvador show a clear shift. The initial non-financial enterprise support of reconstruction after the war adopted a social perspective, leaving existing enterprises out of scope. However, increased competition during the first half of the nineties made clear that enterprises in themselves do not serve to address social imbalance as many of the project-supported enterprises could not survive. Consequently, donors began to build more alliances with the profit sector and delivery of BDS has increasingly been channelled through consultants and private enterprises.

Second Level

FUSADES, the Salvadoran foundation for social and economic development came into existence in 1983 as an initiative of a group of Salvadoran entrepreneurs that wanted to build a country of opportunities. It is regionally well respected and with its 125 employees function as a think-tank and support the centre for social-economic issues. FUSADES has offices in the four largest cities and is credited with the release of vouchers from the FAT program of CONAMYPE. Half of the staff is working in the department of micro and small enterprise promotion; PROPEMI which has a large credit line, and since 1996 also offers BDS in the form of training.

El Salvador, whose government politics are currently clearly export-oriented, has several BDS actors that encourage enterprises to export. The national chamber of commerce and industry runs a successful program that according to the Spanish model, guides smaller enterprises with export potential through two preparation phases. This AFIS, the support and formation program for the internationalisation of Salvadoran enterprises starts with a diagnosis that determines the competitive position of the enterprise takes about 2 months. The second phase draws out the export plan in a period of approximately 8 months. It receives support from the Spanish government but the BDS still costs the enterprise about $1000 for approximately 100 hours of support. Another export related BDS is the Trade Point of the ministry of Economy that aims to enhance the access to international markets.
The Salvadoran Embassy in Spain together with a Spanish enterprise Parque Ferial on-line developed a very attractive on-line fair trade that is worth a visit. It opened up in April 2003 and microenterprises can present their enterprise and their goods for free since donors cover costs. Parque Ferial on-line is a young enterprise that develops on-line fair trade out of frustration with real trade fairs and is an example of high-quality commercial BDS that because of subsidies, is accessible to microenterprises.

Inter Global E-business is another commercial project of a person that wanted to give more spin-off to virtual trade and connect Salvadoran enterprises with any enterprise in the world. Anything can be traded and no commission is charged, as its sponsors pay for the site. This commercial BDS in enabling business contacts, it links up to relevant trainings and events and sends out a newsletter.

Another export endeavour that targets microenterprises is LaTienda.com.sv, a husband and wife enterprise that sells Salvadorian products ranging from guitars to flowers to the Diaspora in the USA. The husband set up the website and is a systems manager in a large company. He maintains the technical part in the evening and the wife, a business administrator, runs the business. It is a BDS in that it offers the commercialization to micro enterprises and gives design advice on the side with a no-cure, no-pay price, charging commission. It visits the micro enterprise and offers to put their products on the Internet, if the enterprise gives them a prototype LaTienda will take care of all the rest. Once an order enters they go back to the enterprise, buy the product and mail it. This folkloric site is practically the commercial version of Aid to Artisans.

Then there are a couple of business magazines that contain relevant microenterprise information and are considered BDS. The Salvadoran Association of Industrials has a well-known monthly magazine “Industria” that contains information on trade negotiations, ISO qualifications, economical trends in the country and promotes its radio program that broadcasts on Tuesday and Thursday between 6.30 and 7.00 pm. ANEP, the national association of private enterprises, enjoys respect from both government as from private enterprises and has a good deal of influence. ANEP also has a bi-monthly magazine “Unidad Empresarial” that monitors the relevant government policies and announcements. ANEP mainly represents the medium enterprises. A third quality magazine is published by the ministry of Commerce, “Comercio e Industria”, that touches a bit more on technical issues like alternative electricity sources. All magazines are mainly financed by advertising.

CENTROMYPE, a foundation that promotes competitiveness, has a BDS that is non-commercial but worth mentioning here as it has a simple, though unique character: CONEXITO. CONEXITO is basically a call-centre for microenterprises that capitalises on the enormous amount of existing information and support projects. Inaugurated in 2001, the idea was to provide any business information to microenterprises free of charge.

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55 http://www.elsalvador.parqueferial.com/
56 http://www.georouter.com/
57 http://www.latienda.com.sv/
58 not to confuse with CENPROMYPE
related information by means of telephone. Its capital is a database of enterprises to establish business links, BDS providers and support programs to promote development, and export options to link with foreign enterprises. Callers are at the same time used for new input for the database. Amongst the advantages of CONEXITO are its accessibility as phone usage is high, reaching into remote areas, its personalised character being assisted by people that know the ins and outs, and hence an efficient form of information management.\(^{59}\)

The BDS Market in El Salvador

El Salvador has by far the most developed BDS market for microenterprises of the four countries, both in quantity as in quality. There is a large amount of services that are available for the micro enterprise and importantly, the BDS offer is relatively good systemized and organised. The majority of providers are NGOs and development related agencies. There have been two important publications on the Salvadoran BDS market in 2002, one about the existing commercial BDS market and another follow-up study that calculates the BDS market potential in El Salvador by establishing benchmarks.\(^{60}\) Yet, in both publications BDS has been limited to consultancies.

It is estimated that there are 525 BDS consultants in El Salvador, or in other words 81 enterprises per consultant, while in Germany this rate is 38. As little as 7% of Salvadoran microenterprises have contracted consultants except for small enterprises with 10 to 19 employees that, is 30 percent. The study reasons that the current consultancy market is 15% as 15% of the enterprise park has contracted consultants. However, the maximum or potential market is not 100% as often assumed, but only around 30% because of a resistance against external advice. It is reaffirmed that quality is the most important determinant in the decision whether or not to contract a consultant.\(^{61}\)

Consultancy enterprises are small, male (90%), independent, and together cover a variety of areas: 27% of the consultants are financial specialists, 23% marketing specialists, 21% organizational specialists, 18% production specialists and 11% are controlling specialists. The study states that the total BDS sales can reach one tenth of the business services (BS) sales and that the current market price is 60% above the equilibrium price, the price once the BDS market is fully developed. Accordingly, this 60% reflects the push-costs that need to be spent to activate the full effective demand.\(^{62}\) It further concludes that past subsidies have had little effect on enterprises and their BDS demand. Subsidies should not be financing the transaction directly but in accordance with the BDS market development paradigm, should be spent on pre- or port-transactional costs. It is stressed that the difficulty in getting a dynamic BDS market is not money, but attitude. The study recommends that subsidies can pay for diagnostics, in between pre-transactional and transactional costs, in order to convince the hesitant enterprise.

\(^{59}\) http://www.centromype.com.sv/
\(^{60}\) Orellana and Bucher, 2002 and Schmitt-Degenhardt, 2002, respectfully
\(^{61}\) Schmitt-Degenhardt, 2002
\(^{62}\) Schmitt-Degenhardt, 2002
Interventions should use a diversity of strategies as instrumental combinations have proven most effective. Further, it stresses that the continuity of a BDS is more important than the frequency with which it is offered. If BDS market development in El Salvador is to have a greater impact on employment, the study suggests that BDS interventions need to expand to include BS, since BS are also crucial for the growth and competitiveness of enterprises.

Interviews with micro enterprises pointed out that in general entrepreneurs are more aware of the BDS supply than in the other three countries. However, the entrepreneurs mentioned a strong dominance of generic training and consultancies with few specific BDS, for example in technological areas. More specific information for business development was obtained from friends and family. None of the interviewed enterprises bought purely commercial BDS.

3.3 Honduras

Fourth Level

Small enterprise development in Honduras has not been on the political agenda for a long time. The initiatives that have been coming up over the last decade were basically isolated donor initiatives without institutional coherency. The focus has been on alleviating poverty instead of enterprise development. A second critique is that they have had little impact on the competitiveness of the sector. The rather rigid understanding of enterprises ignored the heterogeneity of the small-scaled sector. Another comment concerning micro enterprise policy is that the initiatives have been limited to credit.

Third Level

The Honduran Social Investment Fund (FHIS) was created in 1990 as an integral part of the structural adjustment policies, and initiated PASI, a support program for the informal sector. With technical assistance from the ILO it was to strengthen the financial intermediation between large funds and small enterprises, and contribute to creating more employment. It managed a credit line from international donors to intermediary organizations that directly dealt with enterprises. PASI charged market prices in order to maintain its funds, but that also implied that it mainly borrowed working capital from the commercial sector, instead of supporting small-scaled industries. Evaluations argue that PASI has been successful in strengthening financial intermediation, but failed to contribute to creating employment. Another program that came out of FHIS in 1993 was PROCATMER, which was to provide credit and technical assistance to rural micro enterprises. Basically, it had the same objective as PASI, though PASI was

63 Schmitt-Degenhardt, 2002
64 Drawn from interviews
65 Kerkhoff, 2003
oriented towards the urban areas whereas PROCATMER focused on rural areas. However, complicated by administrative regulation, they practically operated in the same area and reached comparable results. These have been the only governmental programs for micro enterprises until 2001.

Part of the Poverty Reduction Strategy Paper that was formulated in 2001, is the plan to strengthen micro enterprise sectors that have competitive advantages, like the agro-industry and tourism. Also, the official commitment is made to incorporate micro enterprises into larger industries like Maquila. In 2001, the national council of micro, small and medium enterprises, CONAMIPYME came into existence. CONAMIPYME is attached to the ministry of economy and responsible for the coordination between public and private interventions. It is the first governmental institution with a mandate of small-scaled enterprise development and receives technical support from GTZ/PROMYPE. GTZ is operating in Honduras since 1998 and an example of a donor that takes a facilitating role. It closely cooperates with the governmental institutes and associations to improve business environment. The polls are positive on the current government of Ricardo Maduro who promises to put these plans in practice. It seems to mark a new era in Honduran micro enterprise development.

Second Level

From the above it easily follows that BDS markets have not been in the picture as such, hence it involves more effort than in the other countries to locate BDS providers. Governmental players have been few. The first actor to mention is INFOP, the national institute for professional formation that originated in 1972. Although 95% of its funds come directly from the private sector through a 1% levy on payrolls, it is managed by a tri-party board of government, employers and employees. INFOP offers courses to all sectors and fills a large market niche for vocational training. For example, INFOP subcontracts the non-profit advisory centre for the development of Honduran human resources, CADERH. CADERH was founded in 1983 with the aspiration to improve the quality of labour by regulating, standardizing and certifying labour, and has 25 vocational training centres. Originating from a time with large governments, most courses provided by INFOP are still free of charge. Despite that, public opinion is quite negative of the content, as the trainings are considered too general with traditional teaching methods and lack of follow-up. Like its counterparts in the other countries, INFOP not only plays a role as provider of free services, but also has a major influence on BDS demand, promoting a no-pay culture.

POCET has been an ILO supported project for vocational training from 1997 to 1999 and consolidated into CENET, the national centre for education for work.

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67 2002-2006
68 Kerkhoff, 2003
69 35% in agricultural areas, 34% in commerce and service, and 23% in manufacturing
70 Kerkhoff, 2003
Chapter Three

As a human resource training institute it is a BDS actor alike to INFOP, though with a strong rural focus.

Another governmental player has been the department of Industry and Commerce and with Taiwanese support offered technical support to micro sectors like crafts and footwear, but never reached a sustainable form. The lesson has been drawn that governments should not be providing services directly, but should create institutions that possess the proper resources.71

The chamber of commerce and industry in Cortés, the most important harbour of Honduras, also has a BDS as it opened a national information centre, the CNI in the year 2000, with financial support from the EU. It is to facilitate the exchange of information between European and Honduran enterprises. Although it is open to anybody, enterprises make little use of it.

Another export related BDS example is FIDE, a private non-profit foundation for the investment in and development of export, which exists since 1984. It manages an information centre, publishes an annual directory for exporters and recently started a program to support the productive sector and small enterprises, ASPPE. ASPPE, initiated by BID/FOMIN funds, has an ambitious mandate to develop clusters, organize meetings and trade-fairs, and do individual consultations, amongst others. Being fund-driven like the CNI of the chamber of commerce, it faces the challenge of stirring the enthusiasm of enterprises.

Since the beginning of 2001, the Swisscontact-Helvetas consortium in the form of AGROPYME, aims to strengthening the BDS market with one international expert and 3 local staff. They work with micro agro-producers and begin their service trajectory with a so-called market opportunity. That is to say, they analyse the Honduran market and define a niche where Honduran producers can compete against current exports. Then, they look for interested micro agro-producers who show potential but who often do not have the capacity to define and adequately react to market opportunities themselves. In the next step they formulate a business plan together with the agro-producer that answers to the specific business opportunity and the current situation of the enterprise. Hence, the business plan leads to terms of references for BDS providers, which AGROPYME circulates amongst its large database. If interested the BDS providers can send in their proposal, the agro-producer chooses the most convenient ones and goes directly into negotiation. If needed, AGROPYME trains the provider but further monitors the process at a distance without interfering in the transaction between producer and BDS provider. A delicate aspect is that the AGROPYME acquired its database through a newspaper advertisement, asking for BDS providers to report their company data. AGROPYME fills an important function as producers are often too busy producing and do not have access to all market information. Another interesting detail is to note the discrepancy between AGROPYME and the government that is supporting export. The strength of AGROPYME seems to be in the combination of notifying market opportunities and strengthening BDS markets along the way. However, its service is fully funded by the Swiss government.

71 Kerkhoff, 2003
Actually, most BDS to non-exporting enterprises is linked to finance, which makes sense since the majority of microfinance institutions have begun to offer training that improve repayment behaviour in a response to stricter donor requirements. The services offered include areas of accountability, financial analysis and warrantees, but stay far away from enterprise areas like management, marketing and technological issues.

One organization that does embark on entrepreneurial issues is CERTEC, the Centre of Resources and Technology, founded in 1997, with the aim to improve the competitiveness of Honduran enterprises, and related institutions. They work case-specific, often take a sector approach, and begin with a diagnosis from where a training plan is defined. In most cases it are donors that ask for their services, as on an average enterprises only pay 10 to 15%. For example, they recently made a sector analysis for a group of Mango producers that resulted in a couple of practical tips to improve transportation and sales-outlets. It depends on the group and sponsor whether they want to continue with a follow-up. Although they only evaluated their service if the client indeed wants a follow-up, it seems that CERTEC has been successful in improving the competitiveness of micro enterprises. There have even been cases where micro enterprises did pay the full costs, for example as in an association of bakers that wanted a feasibility study for a factory. However, CERTEC remains largely dependent on international donors for more than half of its resources\(^2\).

CUPROFOR, the centre for usage and promotion of forest products, is another interesting case. It is a research foundation that after 7 years of DFID support acquired its own juridical status in 2000. It explores the industrial possibilities of non-traditional wood products to contribute to the sustainable use of the Honduran forest, and as such is a BDS provider. It is a large plant with 50 employees and all the required equipment for processing and experimentation, including conference rooms. It supplies the carpentry industry with new ideas, designs and a news bulletin. Based on needs-assessments amongst small-scaled woodworkers they also offer cost-covering training, in for example painting techniques. Being a research institute it currently receives half of its budget from the government until 2005, after that it should be able to generate its own funds. CUPROFOR has a very diversified service portfolio and it will be interesting to see how it manages to break-even\(^3\).

Another interesting organization is CDH, a centre for human development that in 1998 initiated a program for small enterprises. It offers a rather standard package of training but is different in two things. They only work with enterprises that clearly show an eagerness to learn. And every 6 months they monitor the change in the enterprise by recording a whole set of indicators, like production, sales, employment, training receives etc. and based on that adapt their support. Although their service is not cost-covering, they promote a payment culture by charging a small percentage to the enterprises\(^4\).

\(^2\) Approximately 60% comes from the World Bank/FOMIC
\(^3\) Amongst others, it sells wood, prototype furniture, consultant services and publications.
www.cuprofor.hn
\(^4\) PROMYPE/GTZ, 2002
The last example of a BDS provider is ODCA that originated from a farming cooperation. It is the most rural BDS example of all and the only one that does not receive any external funding. Interestingly, there is no director but it is managed by its 7 head board. With a team of 13 full-time staff, an office, a storeroom, a piece of land with a place to dry grains and 3 cars it has the objective to strengthen the economic development of their 85,000 inhabitants municipality. They complete their mission by buying basic products and agricultural items in bulk, and sell these below the market price in 34 small shops that are members of ODCA. According to them, ODCA benefits 735 people that now have cheaper access to basic foods. For the shops the BDS of ODCA is a cheap supply of commodities through logistic management. A second source of income for this non-profit organization comes from the commercialisation of grains that they buy from cooperatives. By basically capitalizing on scale-advantages, ODCA manages to breakeven.

The BDS market in Honduras

The interviews with associations and enterprises largely affirmed that micro enterprises are an unattended segment. Small enterprise development, and the BDS market, is still predominantly a donor concern. Most BDS initiatives have an institutional permeation that reaches well beyond the temporary character of projects from the 90s, yet remain very donor dependent and fund-driven. The BDS market is probably the weakest in the region and is just being noticed by interventionists and policy makers. One of the current activities of GTZ Honduras is to make an inventory of all enterprise actors, financial and non-financial, in order to compose a directory. According to their preliminary data of the 140 organizations that work with micro and small enterprisers, less than one third works in the area of BDS. The Honduran government can turn its weakness into strength by drawing lessons from experiences in the neighbouring countries and building towards a sustainable BDS market.

3.4 Nicaragua

Fourth Level

Although the ministry of Industry and Commerce, MIFIC, has the legal responsibility for small and medium non-agricultural enterprise development since 1998, the sector receives effective political support since the government of Bolaños took seat in 2001. The central government expressed its desire to generate employment and improve the incomes for the 270 thousand micro, small and medium non-agricultural enterprises. By and large, the political commitment to enterprise development seems to have regained strength in Nicaragua, and the government faces the difficult task to organize and harmonize

75 Rural cooperatives are an important phenomenon in Honduras, though many have weak organizational structure that reflect the political structure
76 MC2Group, 2002b
the many isolated projects and programs. Large inflows of development aid have initiated great efforts focused on micro and small enterprises and BDS markets.

Third Level

To execute governmental policy and address impediments for (non-agricultural) smaller enterprises there are two relevant bodies: DGFE-DPYME\(^{77}\) and INPYME\(^{78}\). Both are rather young and still in a process of institutional strengthening. DGFE-DPYME is part of the ministry of Industry and Commerce, hence strongly interwoven with the cluster policies from that ministry, and favours six clusters\(^ {79}\). DGFE-DPYME has the objective of formulating and evaluating policy, and of supervising and coordinating small and medium enterprise development. A roundtable in 2001 on small enterprise development that coordinates between government, universities, international cooperation and enterprise associations\(^ {80}\). Besides enterprise development, MIFIC also has responsibilities for the national program of competitiveness in the form of PROCOMPE\(^ {81}\). At the end of 2002 PROCOMPE formed a specific BDS component that aspired to develop BDS markets in 4 clusters\(^ {82}\). In March of this year it formulated a detailed plan that combines BDS market development with cluster development\(^ {83}\).

INPYME is an autonomous institution with the responsibility to implement specific enterprise related policies as formulated by MIFIC (DGFE-DPYME), and can be positioned between MIFIC and BDS providers. It just presented its strategic plan for 2002-2006 in which three departments have the goal of developing an innovative environment, to enhance inter-institutional coordination\(^ {84}\), and thirdly, to organize sector development\(^ {85}\).

There are 2 large voucher programs directed at BDS market development, one from PROEMPRESA\(^ {86}\), Swisscontact, and another from the National Institute of development INDE with support from GTZ developed PROSEDE\(^ {87}\). Both have been in operation since 2001 and the main difference between the two is that PROEMPRESA subsidises a percentage of the price while PROSEDE handles a fixed amount of subsidy that is the same for all enterprises. PROEMPRESA works with two sectors, subsidizes many enterprise activities like commercial events and inter-enterprise exchanges, but an important part is the strengthening of BDS providers for microenterprises\(^ {88}\). They work with vouchers to “scale-

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77 General Department of Small and Medium Enterprise Formation
78 Nicaraguan Institute of Support to the Small and Median Enterprise
79 Diary, handicrafts, leather and shoes, wood and furniture, industry and tourism.
80 MC2group, 2002b
81 http://www.competitividad.org.ni/
82 Tourism, coffee, textile manufacturing and dairy products
83 PROCOMPE, 2003
84 A third coordinating body is CIPYME, a consortium of only donors that work with MYPES
85 INPYME, 2002
86 http://sde.microempresa.org/pdf/asanchez.pdf
88 Tourism and alimentation
down” commercial providers and provide technical assistance to a selection of providers. PROSEDE on the other hand, does not intervene in the transaction between provider and applicant, relying more on market mechanisms. PROSEDE hopes to auto-select micro enterprises as subsidies are small and tries to avoid a price upsurge that is often seen in vouchers programs that subsidize a certain share, thus providing an incentive to augment the BDS price. The system of PROSEDE is built on the assumption that larger enterprises need more expensive BDS, which implies that the percentage of the subsidy for smaller enterprises is higher than for larger enterprise. There are 3 types of vouchers in PROSEDE: training, diagnosis and technical assistance. Micro enterprises with less than 5 employers can only apply for the training voucher (about $20) and is limited to one per person. All enterprises that exceed this number of employees can apply for a diagnosis voucher, using the software “gestione” that indicates the strengths and weaknesses of the enterprise, where after is decided whether technical assistance is needed (both $200). It might be interesting to compare the effects of both programs of the Nicaraguan BDS market.

International development funds have been considerable in Nicaragua and it needs to be stressed that the BDS demand is not only articulated by enterprises, but a large share of BDS demand consists of projects and programs. In Nicaragua, most BDS providers tend to include the whole spectrum of demanders, both from the first level of enterprises and of the third level of programs and projects, impeding specialization and quality. It is important to realize then, that in Nicaragua personal relations are often a decisive factor in the selling and buying of services, more so than quality.

IADE is an institute that came out of the regional SIPROMICRO/OIT project and has the objective to create a good quality input for the BDS market and deliver well-trained consultants. Linked to the UAM, the American University, IADE offers courses and diplomacy in enterprise development. The IADE students can also enjoy the voucher programs but donations are being reduced and IADE is struggling to become sustainable.

Supported by the same international cooperation a group of mainly IADE consultants formed the national association of consultants, ACOMIN, in 2003 with the goal to bring some order in the melting-pot of consultancies. There is a great need to introduce some order and quality standards in order to improve the credibility of the sector.

Apart from the voucher programs and consultancy focused support programs, there are a number of small enterprise projects with components of BDS. Although they also provide BDS directly, they are third level interventions as time and place are predetermined with the intention to strengthen institutions. For example NICAMEUBLES searches for ways to improve the competitiveness of the furniture sector and as part of that works with export promotion. Or Technoserve that provides free technical assistance to micro and small agro-

89 Barragán, 2001
90 Sanchez, 2003
producers. In cooperation with MIFIC it has introduced the Cup of Excellence, a competition for the best coffee what promotes good quality and increases the price.

Second Level

The most comprehensive analysis of the BDS market in Nicaragua includes a sample of 62 providers, representing 44% of the providers presented in the databases of the different programs. Providers are understood as (semi) governmental organisations, NGOs, educational institutions, individual or enterprise consultants, and chambers, associations and other forms of representatives. The general conclusion is that providers have little knowledge of the actual BDS market, that is to say, they know little about their clients and are unaware of their competition. Little product diversification, and moreover, little specialization impedes them from acquiring a market niche. Another study stresses that the BDS offer is too general, has a short-term and isolated character and does not respond to entrepreneurial needs, that is to say, it does not build upon the knowledge entrepreneurs already have.

INATEC is the Nicaraguan variety of national vocational training centre and has a rather negative image of bad quality. Not only expressed by entrepreneurs but also consultants that work with them, complain about its bureaucratic performance. The association of consultants blamed INATEC for impeding BDS market development.

CECSA is one of the many commercial consultancies and exists since 1991. It basically offers consultancies in two areas, general management and environmental issues. However, most of its direct clients are donor agencies and large enterprises, which have been the principle reason to venture into environmental issues.

PRODEM created in 1996, used to be part of a successful microfinance institution, ACOPED that with 25,000 clients has one third of the microfinance market in Nicaragua. PRODEM separated from ACOPED in July, 2002 and has been transformed in a private enterprise though it is part of the ACOPED building and has access to its microenterprise database. It also may use a section in ACOPEDs magazine. PRODEM offers basic training and consultancies for microenterprises and the large part of their clients use voucher systems of PROSEDE, PROEMPRESA or INATEC.

91 http://www.technoserve.org/
92 http://www.nicaraguancoffees.com/
93 Pait, 2003
94 Barragán, 2001
95 http://www.inatec.edu.ni/
96 PROomocion y Desarrollo EMpresarial s.a
97 ACODEP, 2003
98 PRODEM, 2003
UNYD an association of micro and small enterprises is more focused on micro enterprises and has about 150 members. Since its members come from all sectors of the economy, an important service is the discount that members give to each other, stimulating business. About one third of its members have a credit through UNYD since the association has an agreement with a microfinance institution for women, which has the cheapest credit, even though less than 10% of UNYD members are women. In May, 2003 UNYD began a magazine “Adelante PYME” which means “go-forward small and medium enterprises”.

The institutional landscape of Nicaragua is still divided over the different political ideologies. There is another small enterprise association that is non-Sandinista, UNIPYME, with 233 members. According to UNIMYPE it is getting increasingly difficult for associations to acquire resources and maintain functioning. UNIMYPE mentioned that it noticed a change in INPYME, the governmental body from the third level. They used to provide support to micro enterprises to attend international seminars, but policy has changed and they no longer subsidize associations. On the other hand, production costs like taxes and electricity have been rising, and pressure is put on the spending capacity of its members.

The final example here is CEGE that is both typical and non-typical at the same time. It is typical in that it is a training and consultancy bureau within a university, initiated by a donor project. Their services are again rather standard yet different is their organization. It has two target groups, large and micro enterprises. The large enterprise section is attended to by two senior professors that have a good deal of experience, and the micro enterprise section is served by four last-year students who are involved fulltime. It still receives technical assistance from Spain, but CEGE in its totality is covering costs with high profit margins in the big business and low costs for micro enterprise support.

The BDS Market in Nicaragua

The last BDS market discussed here is the BDS market in Nicaragua. All studies on the subject seem to agree that the Nicaraguan commercial BDS market is very weak, justifying the two vouchers programs. There are about 140 registered individuals and organizations that offer some form of BDS for an enterprise park of 160 thousand micro and small enterprises. The few BDS providers are geographically concentrated in urban areas and offer poor quality services. The observation on the demand side is that entrepreneurs are not aware of the possibilities that exist. Moreover, there is a consensus that past public funds for enterprise development have been under-utilized because of missing information systems. Information on the possibilities for improvement and forms of support are often outdated in Nicaragua and it is generally difficult gain access to good sources, leaving micro entrepreneurs ignorant.

99 Based on interviews
100 Based on interviews
101 ETEA (2001), interviews and promotion material
102 MIFIC, 2003
Entrepreneurs are not necessarily accustomed to use BDS and are often not used to paying for a development service. Nicaragua receives the largest amount of Official Development Assistance of the counties under study and counts for a good number of micro enterprise projects and programs. In general, the BDS market shows a strong participation of development agencies. Despite the considerable quantity of supply in comparison to, for example Honduras or Costa Rica, the overall quality of BDS seems to vary largely.

More than in the other countries, the wide variety of BDS strategies in Nicaragua is problematic for BDS market development. There are many programs that provide free assistance, others subsidize parts and some only subsidize pre- or post-transaction costs. The different strategies complicate negotiations between providers and demanders of BDS.

Again, the BDS markets as documented refer only to the consultancy market that by and large offers three types of products: training, diagnosis and consultancies. The interviews held during the research confirmed that there are relatively few BDS projects that link enterprises to technological development or new markets, which is an important topic with current free trade negotiations between the region and the USA. The usage of legal services seems commonplace. For example micro enterprises involved in trade buy business services in the area of customs and administration.

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104 Based on interviews
4 Pioneering Providers

The preceding chapter demonstrated that the BDS markets of Costa Rica, El Salvador, Honduras and Nicaragua show many differences but have in common that governments and donors are increasingly involved in BDS market development. This chapter presents 8 pioneering BDS providers with the goal to learn of commercial supply mechanisms and provide ideas for future intervention in the region.

Selection Procedure

The case studies were collected in a time-lapse of one week per country, as the objective was to get only an idea of the commercial BDS market. The cases, therefore, make an impression, nothing more. The applied methodology had 3 phases of which the 2nd and 3rd phase concerned the actual selection of case studies. The 2nd phase of interviewing the supplying and demanding actors resulted in a short-list of the 10 most interesting BDS providers per country. These 10 providers were evaluated on the following four criteria:

- Whether the provider has an explicit focus on micro enterprises
- Whether the provider has an explicit focus to improve the enterprise capacity
- Whether the provider is subsidy independent
- Whether the provider is demand reactive, reacts to market changes

The applied scoring ranged from “no”, to “some extent”, to “yes and to “very much” that was indicated with 0, 1, 2 or 3. For the purpose of this study such scale is considered sufficient and suits the precision of the data. The maximum total scoring accordingly is 3+3+3+3=12.

BDS Variety

The cases will be presented in order of scorings. To point out the peculiarities, the description of each case will include its organization, service and market. Although all eight cases can be classified as BDS providers, they all have different stories and set sights on different aspects of the client’s business. CRECER CON SU EMPRESA is a consultancy firm that addresses the problem of access to information. It puts relevant information on management and markets within the reach of micro enterprises through the radio, magazine and a web-site. RED ARTESANAL assists in the logistics of production, introduces new technologies, provides a service of product development and can connect rural producers to new markets. ADVANCED is about entrepreneurial training. It intends to train micro entrepreneurs in administration and management issues at a low cost and with a fixed schedule. ASESORIA Y DESARROLLO PYME

See annex D for the BDS short-list of each country
assists microenterprises to comply with legal obligations and possibilities, and organizes a growth enhancing administration. The Nicaraguan DAG CONSULTORES focus on the problem solving capacity of its clients. Following the trend of modern business theories, DAG perceives development as a better usage of available resources and aims to activate creative thinking. COHORSIL in Honduras supplies reasonably priced inputs and takes care of the commercialization of agricultural production and thus improves the liquidity. Nevertheless, more important is its long-term assistance to the transition towards new market niches. ECO-LOGICA, a Costa Rican biological certification enterprise, can increase the profit margin of its clients by assisting them in the entrance to specialized market niche. The last example that will be described is a network of micro entrepreneurs. Those enterprises that become a member of the Salvadoran RED EMPRESARIAL TRUEQUE can improve on their liquidity, equalize production and increase their out-put network.

Of the eight cases there are only five that are purely commercial. Though not all are commercial in the strict sense, a common feature is that they are all client oriented. Except for Red Trueque, the enterprise clients are the main source of income and safeguard continued performance. Another shared characteristic is that all eight developed from a market opportunity. In the case of ECO-LOGICA and COHORSIL, it was the sector as a whole that pointed a certain need. ASESORIA Y DESARROLLO PYME and ADVANCED are good examples of existing BDS providers that have ‘scaled-down’ (stirred by donor initiatives) after they took notice of the micro sector. RED ARTESANAL from El Salvador, CRECER CON SU EMPRESA from Honduras and DAG CONSULTORES from Nicaragua are three examples of BDS providers that saw a commercial opportunity in the strict sense. And RED EMRESARTIAL TRUEQUE is the only example that was initiated by an NGO.

4.1 CRECER CON SU EMPRESA

Table 4.1: Scoring CRECER CON SU EMPRESA.

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<td>Focus on enterprise development</td>
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<td><strong>Total</strong></td>
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The Honduras CRECER CON SU EMPRESA, which means, “grow with your enterprise” is the ultimate multi-media enterprise. It has given itself the task of supporting the neediest enterprises in Honduras by means of a magazine, radio program, web-site and physical trainings, all under the same brand: CRECER CON SU EMPRESA. The founder had his own business when he realized that many Honduran enterprises had no access to the right information in order to turn potential into opportunity, and in 1998 CRECER CON SU EMPRESA was
initiated. With four consultants they began out of an urban office to address various areas of entrepreneurial decision-making and continue to do so today.

The Service

The most important products in terms of income are their training and consultancies in the areas of marketing, service to the client, motivation, strategic planning, and publicity. Key in their methodology is that “nobody knows an enterprise better than those that work in it”. Beside these physical services that they sell to both micro and small enterprises, CRECER CON SU EMPRESA publishes a magazine, broadcasts a radio program, and maintains a website.

The quarterly magazine “CRECER CON SU EMPRESA” was born out of frustration with existing Honduran business magazines that are mainly made up of advertisements and irrelevant articles that do not assist in daily decision making. CRECER CON SU EMPRESA, on the contrary is very selective about advertising. The ads have to be relevant. Ninety percent of the magazine has clearly written articles for example on the advantages and disadvantages of fair-trades, guidelines on benchmarking, how it can improve performance, how to use email in the business, or i.e., how to make a website. The monthly magazine will be 2 years old. The 5000 copies are free of charge as its costs are covered by the ads.

From Monday to Friday, between 5:30 to 6:00 pm, CRECER CON SU EMPRESA opens up the radio for entrepreneurs. It is half an hour of interactive discussion, presentations about enterprise issues and news facts with one and the same objective to train all-round entrepreneurs. The three blocks of different topics, 8 minutes each, are covered by 4 minutes of sponsor time. It happens that the radio generates profit of which one fifth is donated to the foundation CULTURA PARA NOSOTROS, a project of the same owner that touts the philosophy of CRECER CON SU EMPRESA. The fourth aspect of CRECER CON SU EMPRESA is its web page. It contains 8 areas of enterprising with per area a set of articles and tools readily available on the net. It not only refers to its radio, its magazine and most important support programmes, but a good part is dedicated to cultural issues. Again, the sponsors covered the costs. Current plans are to expand to television. In conclusion, CRECER CON SU EMPRESA seems indeed to stimulate entrepreneurs to grow.

The Market

CRECER CON SU EMPRESA is directed at enterprises in need of information. The content of all its activities are decided upon in an interactive manner by means of discussion groups and reactions on the radio. It is very sensitive to the needs of the enterprises. Also, parts of their market are larger institutions that for some reason are interested in micro enterprises like microfinance institutions and cooperatives. With 30% growth in its gross sales in 2002, CRECER CON SU EMPRESA seems to be a success. Its mayor strength is a strong conviction towards a needy segment of enterprises and its diversified medium to sell its core business: business knowledge.

106 at 5:30 pm: www.rediohrn.hn 2311710 2311706
4.2 RED ARTESANAL

Table 4.2: Scoring RED ARTESANAL.

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The Enterprise

Two months after the 2001 earthquakes in El Salvador, Red Artesanal decided to open up its doors in the western part of San Salvador. It is a spatial shop with an impressive collection of decorative attributes that ranges from pure art to functional ashtrays with one thing in common, uniqueness. After 10 years of experience a young couple took the risk and ventured into the art and crafts business with the mission to take the Salvadoran craft to a higher level. It focused on the higher classes of El Salvador and started to work with rural artisans right from the start. Red Artesanal, a limited company, has a team of 24 fulltime staff. The managing couple, of which one is the general director, divided the managing areas between them, one is in charge of administration and marketing and the other of design and production. From the start they strictly separated the tasks on paper in order to be well prepared for expansion. They opened up a new branch just this year. The 22 employees are occupied in the store and workshop.

They believe in a trend-setting enterprise that with its innovating and creative identity can reactivate the Salvadoran craft industry and create employment in a sustainable way. Every single piece is designed in accordance with trends, material and the potential by approximately 60 artisans in 6 different areas with whom they work. The designer is a trend watcher at the same time. Once a new product line is designed they make a prototype in their own workshop. If successful and the demand is likely to exceed their production capacity, the production is handed over to the rural counterparts. The challenge for Red Artesanal is to produce at a stable pace and at the same time fit in the design and development of new product lines.

The Service

Red Artesanal does not earn but pays for the BDS they offer to artisans. They organize workshops in which the new design is explained and where they start the first production line together with the artisans. At the end of the day, they buy all products, whether the products qualify or not. In the case that a product does not qualify, the artisan needs to discompose the product and make a second one for which he/she is paid again. Because of the fact that Red Artesanal pays for a non-product, they gain a good level of trust and they never need to ask for a third try. In each of the 6 zones there is only one key person with whom Red Artesanal does business and coordinates production. Generally, Red Artesanal provides the input but leaves further production fully in the hands of the artisans. A detailed cost calculation sets the product price so that is profitable.
The Market

Although the initial and principal clients of Red Artesanal are people from the higher economic strata of San Salvador, the international cooperation started to show an interest. Both GTZ and USAID have worked with Red Artesanal in the past year. GTZ contracted Red Artesanal to work half a year in areas that have been badly affected by the 2001 earthquakes, in order to swiftly create employment that suited local capabilities. Aid to Artisans[^107] recently started to support Red Artesanal to go to international trade fairs. An investment that is warmly welcomed by Red Artesanal and 10% of the 2002 sales have been coming from exports.

Red Artesanal is gaining a market niche and growing significant with 20% sales increase, channelling work to more and more artisans. Different to Aid to Artisans is that Red Artesanal is purely commercial, clearly born out of a market opportunity and a strong belief in local capacities. There is an obvious mutual dependency between the artisan and Red Artesanal that motivates both parties.

### 4.3 ADVANCED

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<td><strong>Total</strong></td>
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The Enterprise

ADVANCED was founded in 2000 by two Nicaraguans in an attempt to put up a quality training centre for enterprises of all sizes. Both with an impressive career in business they are now shareholders of ADVANCED and no longer are involved with the daily operation. It is a horizontally organized limited company where the 5 staff members decide on daily proceedings and strategic planning. Their office is in the back of an Internet café in a seemingly quiet part of Managua. With three desks along the walls it looks rather small but well organized to be able to fulfil its mission: to offer an integrated support to enterprising investments in the whole region of Central America. ADVANCED holds the principle to create a network of learning entrepreneurs throughout Central America.

Since the end of 2001 it began to offer its service to smaller enterprises and tourism in order to capitalize on support programs from government and international cooperation. They used to work predominantly with INATEC, the governmental vocational training institute, and trained large enterprises. Payment was always late and when some bills remained unpaid they looked for other markets. ADVANCED adapted its services to microenterprise needs and received

[^107]: http://www.aidtoartisans.org
Chapter Four

technical support through the bonus system of Proempresa Swisscontact. However, after getting involved in the micro-sector Proempresa became enthusiastic and recently started a training program fully paid by micro enterprises. ADVANCED no longer receives support for its microenterprise services.

The Service

ADVANCED actually has a standard service portfolio of training, consultancies, diagnosis, and technical assistance. It seems strong in the area strategic planning and computerization with the Internet café upfront. A new successful product is a 10 modules course that follows a logical order to develop entrepreneurship. Each takes three hours and the training is given each month. Different from other training institutions is its attractive terminology that indicates the course subject, i.e. “wake up the love of your client” and “make a habit of success”. They promote the course by going into areas with many microenterprises and set up a meeting. If the micro enterprises pay before a certain date they get a discount, discounts are also given if participants come with several people. The complete course costs only about $8 which is cost covering since operation costs are low. The trainer takes the bus, the modules are standard, and with approximately 25 participants, participation is high. Currently on average they give 4 courses per month and thus train over 1000 micro entrepreneurs per year. They expect it to develop into an important product because of its long-term character. Nobody abandoned the course prematurely and several groups already asked to increase the intensity to twice a month.

The Market

ADVANCED is discovering the microenterprise market. A big problem is that enterprises are not used to paying for services and it requires strong conviction to instigate a paying culture. Each time they give a training or talk, evaluations are filled in and participants are phoned and visited afterwards to find out whether they could bring prospects into practice. Bit by bit their service adapts more to the needs of the micro client who in turn begins to appreciate the value of ADVANCED. Besides its regional ambition, ADVANCED has plans to expand its courses offered and take advantage of the possibilities of Internet.

4.4 **DAG CONSULTORES**

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Table 4.4: Scoring DAG CONSULTORES
The Enterprise

DAG Consultores is a small consultancy in the capital of Nicaragua that was founded in 2000. With a team of 4 they have set for themselves the extremely challenging mission to increase Nicaragua’s creative thinking capacity, by means of consultancies and courses. They focus on enterprises of any size as long as they:

- are interested
- have market potential
- have the capacity to pay

The founder has a successful history in big business and saw an opportunity in consultancies that activate the creativity of people. Its fundamentals rest in TRIZ, a Russian theory to solve invented problems. It invested substantially when it bought the TRIZ-rights together with the University of Commercial Science, the UCC, for Nicaragua and founded TRIZ-Nicaragua108. DAG Consultores has established itself as a limited company and works with ASIT, Advanced Systematic Innovative Thinking, and a methodology that is based on TRIZ.

The Service

DAG aims to exploit the creativity of people in entrepreneurial settings and does this in two ways: consultancies and courses. DAG Consultores began its consultancies with a focus on management with the conviction that change had to come from the decision-making level. Soon they were confronted with a rigid market, as apparently management did not want to change, believing that problems are located at the level of subordinates. DAG Consultores realized that modern management techniques were not going to change enterprise behaviour and a stronger tool was needed. They changed their focus to problem solving techniques and offered “creativity in the enterprise” and “extraordinary management thinking”. According to DAG Consultores, Nicaraguan enterprise management is not interested in buying methods, but in solving problems. Their service is a “service process”, of longer duration and more complete than time-fixed consultancies that transfers the client to a problem-solving entrepreneur. The principal goal is to increase the client capacity so that the consultant becomes superfluous.

The courses are part of an agreement with the university (UUC) and provide both academic and non-academic courses in creativity in the enterprise for entrepreneurs, teachers and whoever are interested109. The intension is to give their struggle for creativity a more institutional character. Besides these two forms of services, DAG Consultores has a proactive marketing strategy, maintains a TRIZ website, a free news bulletin that explains the applications of ASIT and motivates creative thinking. With a 50% growth in sales in 2001, they seem to have reached the market niche they were aiming at. Although a small percentage of clients use INATEC or PROSEDE vouchers, the majority pay the

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108 http://triznicaragua.ucc.edu.ni/
full cost. Interesting is that DAG Consultores guarantee their service with the well-know slogan: no cure no pay.

The Market

Their prime-market are urban enterprises of whatever size, and without a doubt see enterprise development as their main challenge. Still, DAG Consultores is an example of up-scaling as their initial focus was more on the micro enterprise until they realized that the majority were not ready for the type of change they sold. They now focus only on enterprises with an open-mind that want to increase their problem-solving capacity. An important aspect of their BDS is that it does not require any extra investments but explicitly concentrates at better usage of the available resources, human capital.

The services are constantly adapted according to the results of their internal performance control software system and the client perception that intensifies their market niche. The strengths of DAG Consultores lie in the conviction that things need to change fundamentally if Nicaragua is to escape its aid dependency.

4.5 ASESORIA Y DESARROLLO PYMES

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The Enterprise

ASESORIA Y DESARROLLO PYME is a Costa Rican consultancy firm in strategic administration with one consultant and two assistants. With years of experience as an administrator in several enterprises of different sizes and sectors, the owner decided to individualise and founded his own enterprise in 1985. Together with associated friends and family they started to advise in the area of export regulation and would for example organize technological fairs, basically serving medium enterprises. The name of the enterprise was ‘Dominguez, Esquivel y Salazar Corporacion de Estudios Contables’. However, in 1999, they inscribed to an aspect of the regional PROMICRO/ILO project in which they were confronted with the informal sector. Participation implied training in the characteristics and needs of those small enterprises. From then on, they decided to change the name and expand their market niche to microenterprises. Its profits in 2002 were nearing USD 25000.
The Service
From a small office in the crowded centre of San Jose, ASESORIA Y DESARROLLO PYME S.A. is now “structuring enterprises”. It is equipped with communication facilities, a full bookcase and a drawer full of government forms. In 1985, right from the start, it had the mission to provide regular support to enterprises in their goal to be legal. After having started with consultancies ASESORIA Y DESARROLLO PYME S.A began to give training in order to consolidate its recommendations. Although its specialisation is taxation, its biggest business is accounting because of the high demand. Financial statements required by banks or other institutions are also often requested. Another important service area with more impact on enterprise development is the area of feasibility studies. Since client relations are long-term and built on trust, they ask ASESORIA Y DESARROLLO PYME for advice on their investment plans.

ASESORIA Y DESARROLLO PYME S.A has made profits year after year without ever having used loans or any funding. The sales in 2002 were equal to 2001 as it was an election year and with overall economic stagnation. They have approximately 100 fixed clients with rather permanent relationships, and are paid on a project base.

The Market
ASESORIA Y DESARROLLO PYME predominantly works in the capital. Half of its clients are microenterprises, 35% small and 15% medium and large enterprises. In 2002 a law was passed to simplify the regulations in order to enhance formalisation of micro enterprises. This implies more work for ASESORIA Y DESARROLLO PYME, since the regulation and administration of enterprises are constantly subject to change due to politics, changing cost structures and market opportunities, ASESORIA Y DESARROLLO PYME S.A will never be out of work.

4.6 COHORSIL

Table 4.6: Scoring COHRSIL

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The Enterprise
COHORSIL is located in Siguatepeque which is midway between the capital of Honduras, Tegucigalpa and San Pedro Sula on the Caribbean coast. It is a cooperative that was founded in 1980 by a group of cabbage farmers that wanted to organize production to avoid market saturation. Soon after, COHORSIL adopted the progressive objective to make rural production competitive in Central America. COHORSIL survived several crisis since but stresses that this
objective has not been reached as yet. With 64 employees and five branches COHORSIL serves 380 members in 17 communities and assumes an example for the society. It cherishes values like honesty and is dedicated to providing service and professionalism.

The Service

COHORSIL with a total 2002 sales of more than USD over of has four service subdivisions, the sale of products, commercialisation of coffee, a greenhouse, and a training centre, that generate profits apart from the membership fees. In total, it provides services to approximately 1200 producers. The agricultural merchandise such as pesticides and seeds are sold all over the country from several branches. The shops generate two thirds of the overall profit of COHORSIL and the merchandise sales increased with 30% in 2002. They just improved the administrative system and despite national economic problems, it opened up more shops. The coffee department commercialises its members coffee, two thirds goes to national markets and one third to international markets. It recently has taken several actions to improve its branding and certification system to gain a stronger position in the international market, as for example it became certificated for ISO 9000:9004 in 2002. One of the main advantages of cooperatives in general is that members can buy on credit, with one’s production capacity as collateral. The coffee department of COHORSIL channels a credit line from the IADB aimed to avoid migration and enable coffee producers to shift to special coffees. The third service area is a greenhouse that produces seedlings that are sold at competitive prices. The fourth service is a training centre, CICAM that has the key function to offer free training and technical assistance to COHORSIL members. Because of other incomes the centre is sustainable as such. They sell training to other cooperatives, use the centre for eco-tourism, and rent the location to others. However, due to adversities in the coffee sector, aggressive marketing of chemicals from other agencies and strong competition in vegetables COHORSIL was forced to reduce costs and recently reduced the training staff from 12 to 2. Hence, apart from the fees COHORSIL does not receive a permanent subsidy but has applied sponsorship for certain projects. The greenhouse came from Japanese sponsoring and donations from USAID made it possible to construct an irrigation system for small farmers.

The Market

COHORSIL works in the whole country with small and larger agro-enterprises and aims to increase their competitiveness. The low competitiveness of their members is part of a national context as according to them, Honduras as a nation, needs to work on its image and organization. COHORSIL mainly sells to wholesalers since they face strong competition in the retail markets in Guatemala where producers are more directly interwoven in the production chain. Their Guatemalan competitors get credits from the supermarkets, and hence can assure a more stable and frequent production. COHORSIL is making a profit with its services, but needs extra funding in order search for market niches and to fundamentally change Honduran production from a situation of impoverishment. Many cooperatives in Honduras never reached the sustainability that COHORSIL has reached and they themselves ascribe their success to the fact that they have
never been dependent of donations, are entrepreneurial and most importantly, are transparent as to what creates commitment.

4.7 ECO-LOGICA

Table 4.7: Scoring ECO-LOGICA

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<tr>
<td>Focus on enterprise capacity</td>
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</tr>
<tr>
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<tr>
<td>Demand reactive</td>
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</tr>
<tr>
<td>Total</td>
<td>9</td>
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</table>

The Enterprise

In 1997, the National Association of Organic Agriculture in Costa Rica perceived the necessity to create a certification institute and created the first Costa Rican certification enterprise: ECO-LOGICA with the goal to make certification available to micro producers. The company ECO-LOGICA has a small office on the eastern part of San Jose and shares its rural-like compound with turtle watchers and other environmental enterprises. Registered as a limited company, it has the mission to safeguard the integrity of the organic market and contribute to its development by means of inspection and certification that is “independent, reliable, stable, well known, efficient, economical accessible, professional and communicative”111. It counts on only 3 full-time staff but has 2 inspectors under contract, 10 voluntary members and subcontracts as much as possible. Being well organized with a board of directors, it has an annual report that looks back on past performance; projects on future market developments and presents a strategic plan for the year to come. ECO-LOGICA is keen on its performance measurement as it monitors each employee and the team in totality on criteria like team-functioning, level of initiative, availability and for example, punctuality. One of the staff members also manages an internal quality control system.

The Service

The core business of ECO-LOGICA is certification and inspection. It certifies for Costa Rican, European and North American markets. First, an application form has to be submitted that gives a good idea of the feasibility and the costs of certification. Then, an inspector is appointed that assists the client-enterprise to complete all requirements. The inspector presents the client to the certification committee upon which a decision is taken whether the client qualifies.

Its price is low compared to its other competitors Between $1000 and $3000, which nevertheless is a large investment for their clients. In Costa Rica the price for organic coffee is between 30% and 80% higher than for normal coffee. At the

110 http://www.eco-logica.com
111 According to its staff members.
moment one fifth of ECO-LOGICA’s budget is subsidized, but they use these funds for well-defined promotional costs as the ecological market in Costa Rica is just beginning. They give seminars and training throughout the country on ecological certification and participate in national and international trade fairs to inform potential clients.

The Market

ECO-LOGICA works mainly with small agro-producers that are organized in groups, mainly existing cooperatives. The large majority produces coffee, but also banana, pineapple, oranges, cacao, asparagus, blackberry and herb producers are amongst their clients. It is not only the philosophical character of production that attracts clients, but certification increases product value and opens up new markets. They currently work with 45 clients in all regions of the country, reaching 3,200 producers. An important aspect is that most of their clients are cooperatives, relatively well organized, and dedicated to certification.

ECO-LOGICA is a growing business and well prepared for financial sustainability. Key to its success is that “we believe in what we do”. The interesting thing is that it is saw the light because of sector needs, more than a commercial opportunity. The association of producers recognized the need for affordable certification. ECO-LOGICA competes with international certification companies that are too expensive for the majority of small-scaled producers. The staff sees ECO-LOGICA as a tool to development.

4.8 RED EMPRESARIAL DE TRUEQUE

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<td>Focus on enterprise development</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>8</strong></td>
</tr>
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</table>

The Enterprise

Red Empresarial de Trueque, RET, is a barter network of a wide collection of micro enterprises in San Salvador, El Salvador. RET has been an initiative from FADEMYPE\(^\text{112}\), an NGO that has been working intensively with the microenterprises since 1998. Well versed in the problems of the sector, FADEMYPE saw promising advantages in a barter system and started RET in November, 2001 to address two fundamental problems of micro enterprises: limited access to inexpensive credit and limited access to markets. RET has 4 staff members: 1 coordinator and 3 advisors that have two functions: registration of the transactions and intermediate between the members. It uses the micro

\(^\text{112}\) http://www.conamype.org/fademype/sevicios.htm
enterprise knowledge, networks and office facilities of FADEMYPE and has in FADEMYPE.

The Service

RET is a commercial barter organisation that works as a Mutual Credit System. There are more then 100 commercial barter organisations in the world but RET is the first one in Central America\(^{113}\). It is a collective registration system of transactions that rules out the actual money transfer. Each member has an account, a check book in an internal currency, UdIs in the case of El Salvador, and a directory of members. The goods and services are traded against real-world values, only expressed in UdIs and paid by check. The transaction then is registered in the RET system so that the buyer account debits and the seller account increases. The advantages of being member and paying in UdIs are: (1) it functions as credit, but interest free and without a time limit, (2) it improves the liquidity of the enterprise since under-utilised production capacity is turned into readily available purchasing power. Also, costs can be paid in UdIs which relieves the cash constraint, and (3) it improves sales as low sale periods can be levelled-out through promotions\(^ {114}\) and the sales network increases with more outlets\(^ {115}\). Also, the business receives intensive follow-up from the advisors in balancing their sales and purchases within the network. In the general practise of commercial barter, as a rule of thumb, enterprises are advised to not sell more than 10-15\% of their total turnover in UdIs.

Experiences in other parts of the world have proven the sustainability of such a barter system, however, RET is still in its introduction phase depending mainly on external funding. Its income is increasingly coming from inscription fees, currently set at $10, and a variable fee that is charged on the sales. Hence, the intermediation service of the RET functions as a no-cure-no-pay mechanism. It also generates income from those enterprises that want to have a larger advertisement in the directory of members and plans to further exploit its advertisement service. Another idea that will be implemented soon is to introduce an interest of 1\% on a positive balance so that members are stimulated to exchange and spend their credit.

RET developed its own adapted registration system in 2003 and now that the basic structure is in place, the staff concentrates on the intensification of the transactions. RET has 226 micro enterprise members of which not even one has left, but almost half are not yet using UdIs because of ignorance. The other half pays only a percentage of the transaction in UdIs, for example, 40\% is paid in UdI while the remainder is paid in cash. This year, the full payment in UdIs has been made compulsory in order to intensify the network, yield more advantages but also to select the committed members.

The Market

\(^{113}\) www.irta.net
\(^{114}\) For example, both the plumber and hairdresser have little work on Monday mornings, so the plumber can get his hair done while the hairdresser can finally resolve his leaking tub.
\(^{115}\) Not only by means of the directory but it happens that an optician puts crafts in its show window
In the first year, RET was mainly occupied with increasing its membership and now has reached an impressive collection of micro enterprises from all sectors. It includes hotels, marketing agents, consultants, taxis, opticians, furniture workshops, merchandisers of cleaning products, flowers and fruits. Theoretically, service enterprises get the most benefits out of the RET membership since the variable costs are small, and an increase in sales does not increase expenses. For example in the case of a pure service like that of a doctor’s consultation, to sell in UdIs only increases income. With manufacturing enterprises, however, if sales go up, the costs go up which could worsen instead of improving the liquidity of the enterprise if UdIs come in while real money goes out. For commerce the benefits are even less as variable costs are higher. If a book is sold in UdIs, it needs to be replaced in real money. Hence, half of the RET members are services, a bit more than one third are manufacturing enterprises and the minority are commercial entities. To increase the advantages for manufacturing and commercial enterprises, RET is promoting inter-sector exchange to increase the trading capacity of UdI transactions.

An interesting aspect is that the NGO FADEMYPE is one of the largest client and provider of the RET. Its staff members offer their services in the exchange currency UdIs. Not only is it an effective way to convince enterprises of the advantages of the RET and so activate the barter system, it improved the liquidity for FADEMYPE itself. RET has shown to be a good promoter of FADEMYPE and its services.

Every 2 to 3 months the RET organizes commercial meetings amongst its members with the idea that they can present their products and get to know one another. However, the most important intermediation tool is direct contact by the advisors (brokers) of the RET, using a members directory that is frequently updated and available on Internet. Though it now only mentions basic data like the enterprise sector, name, and address, the idea is to develop the directory according to the yellow pages indexing and elaborate more on the products offered. RET is the only case here that has been initiated by an NGO and is not commercial as such. Yet, especially in a time that production costs are rising, like minimum wages, and an unsure future with free trade negotiations, a BDS like RET offers a valuable refuge. Although RET is still in a critical stage, the expectation is that RET develops into a self-sustainable barter network for micro enterprises.

116 http://www.redintercambios.com/
5 Wrapping Up

BDS Conception

Before reviewing the practices in Central America, two conceptual considerations are highlighted. One relates to the fact that BDS intervention strategies rely on a segmented enterprise model, distinguishing size and recently also the growth potential of enterprises. Size, indicated by employment, is still the dominant characteristic that determines the eligibility of an enterprise for BDS. Nonetheless, it is highly questionable whether the number of employees is indeed such an important determinant in BDS needs and BDS buying behaviour.

Another dominant tendency is to limit the understanding of BDS to consultancies. Relatively few interventions relate for example to technological development or to market access. Certainly, consultancy is a very important BDS delivery mechanisms for a large variety of business topics, but in order to develop dynamic markets, it might be worth to adopt a more comprehensive understanding of BDS. BDS market assessments can assist interventions to plan with a more complete understanding of BDS.

BDS Providing Mechanisms

The variety of Pioneering Providers demonstrated that there is no rule of dump for BDS delivery to microenterprises. The 8 case studies as described in the previous chapter initiated their BDS for different reasons, have different enterprise sizes, aim at different market niches, use different pricing mechanisms and have different levels of product diversification, to name only some distinctions. Apparently, the collection of BDS providers is a melting pot of service enterprises and likely, only a small part of the actual BDS markets in Central America is documented.

The case studies showed that it is possible to offer BDS to microenterprises in a sustainable way. Some of the key factors in supply mechanisms have been a (1) certain level of dedication to the microenterprise sector, like Crecer con Su Empresa. The commitment of providers encourages entrepreneurs to identify themselves with the provider and its service. The case of Red Artesenal stresses that (2) shared interests and mutual dependency safeguard continuity between provider and demander. Both Advanced and DAG Consultores have a (3) clearly defined service product that can effectively be sold. The more concrete the service, the easier it is to convince the buying entrepreneur the service value. Asesoria y desarrollo PYMES uses the concept of (4) cross-subsidising between larger and micro businesses. It illustrates that in-house cross-subsidising is a mechanism to make quality service available to microenterprises, and spreads the risk for the providing enterprise. COHORSIL and ECO-LOGICA (5) capitalize on shared needs for BDS, offering their service to existing enterprise groups and clusters so to reduce the service costs per enterprise.
Red Empresarial de Truegue is a kind in itself. The essence of a barter system is that BDS clients are not perceived as “beneficiaries”, but are equally appreciated for the goods and services that they provide to one another. To some extent it is comparable to a bonus or voucher systems, directly interfering in the transaction between provider and demander, but a barter system shows several advantages. One it that it includes both BDS supplying and demanding enterprise, hence involves both market sides that negotiate with equal tools. A second advantage is that it includes both Business Services and Business Development Services, and as such is comprehensive. And a third aspect is that it needs no subsidy once the network is functioning, since the value of the vouchers is expressed in an invented currency. It requires more effort and time to get a RET up and running, but might proof more sustainable and cheaper in the long-run.

BDS Markets

There are several remarks to make on the characteristics and developments of BDS markets in the Central American region. Central America shows a variety of national BDS markets and interventions, and an obvious conclusion is that there is scope for regional exchange. Costa Rica for example has good functioning government bodies in BDS and generally, the service quality is good. El Salvador is rich in donor initiatives that are getting institutional and sustainable forms. Moreover, it has valuable experiences in the categorizing and organizing of BDS supply that enables entrepreneurs to search for adequate BDS providers. Like El Salvador, Nicaragua has several experiences in vouchers programs and its universities are effectively involved in addressing BDS formation. Honduras in turn, has a relatively strong level of social organisation that shows many grass-root initiatives that address economic development, and BDS with that.

National BDS markets have different strengths and weaknesses and require different intervention strategies in order to develop commercial BDS markets. Costa Rica has a relative strong demand, but weak supply of services for micro enterprises. According to the best-practices of market development as expressed during the BDS Seminar 2002, such a situation asks for a strategy of stimulation: make BDS supply better accessible to microenterprises. El Salvador has the strongest supply of and demand for BDS, and accordingly interventionists should focus on facilitating the emerging supply and embryonic demand. Honduras shows both a weak supply and a weak demand, what implies that BDS market development should be focused on the education of both providers and entrepreneurs. The BDS market of Nicaragua is characterised by relative strong supply of BDS for microenterprises but a weak demand. The overall BDS market development strategy to follow is one of informing the demanding actors.
**Figure 5.1: National BDS Markets and Intervention Strategies**

The BDS Markets in America Central are imperfect in terms of weak supplies of and weak demands for BDS, but they are also imperfect in terms of pricing. Pricing often not reflects value. The paying culture in all countries is influenced by a legacy of state- and donor-subsidised service markets, but as important are the weak legal and contractual infrastructures. Service provider have few tool to enforce payment what makes them more reluctant to sell to riskier clients, like microenterprises. Nevertheless, the case studies showed that there are providers that do sell their service on a commercial basis to microenterprises. And importantly, that microentrepreneurs do pay for BDS if they are convinced of the service and if paying mechanisms are adequate.

The region as a whole seems to be entering a consolidation phase concerning microenterprise interventions. Most countries have recently institutionalised a national commission for small and micro enterprises development what will effect the organization of BDS markets, and the actual and potential roles of BDS actors. It will be interesting to see how BDS markets will further develop in Central America.

**BDS Interventions**

Worldwide experience learns that BDS interventions are most sustainable and least distorting when they are planned in according with existing market mechanisms. In all four countries, governments and donors have an important role in direct BDS provision. Many governmental BDS, like the vocational training institutes, have a considerable position in national markets and still offer their services for free or at low prices. Private BDS providers can not compete with that. From a BDS market development perspective, it is advisable that governments reconsider their responsibility in BDS markets, and define a strategy accordingly.
Chapter Five

The donors that offer BDS in Central America are gradually introducing fees. A number of agencies no longer offer BDS directly but channel their resources through for-profit private BDS providers. However, very few have a BDS market development strategy behind that. The reasons to work with private providers is that the quality is better and private providers tend to better understand the needs of enterprises. Such form of BDS intervention is very selective, working with a random selection of BDS providers, prone to nepotism and is competing with market forces, rather than strengthening them. A donor initiative that does come near the BDS market development approach is Swisscontact in Honduras with AGROPYME. They interfere only with pre- and post- transactions and moreover, do not select BDS providers, but let the market select the provider.

One objective of this study was of descriptive character, to give more recognition to the BDS experiences in Central America. The other objective was to explore commercial BDS provision and provide inputs for BDS market interventions. In this respect it would be interesting and functional to analyse with more accuracy the strength and weaknesses of each BDS market. CENPROMYPE, with its unique regional character, seems in the right position to give follow-up and facilitate and coordinate inter-regional exchange and learning. CENPROMYPE could for example offer a discussion platform to enhance regional exchange of best practice, or further develop a valuation system that provides incentives for best-practice performance.
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References


Annex A: Términos de Referencia

Proveedores Comerciales de los Servicios de Desarrollo Empresarial Un Estudio de Identificación en Centro América

Introducción
La intervención de las agencias donantes en los Servicios de Desarrollo Empresarial (SDE) tiene como objetivo general, mejorar el desempeño de las Micro y Pequeñas Empresas (MYPE) en los países en vías de desarrollo, para contribuir al desarrollo económico con igualdad de oportunidades y crear empleo decente, para aliviar la pobreza y alcanzar objetivos sociales.

Hasta la fecha las intervenciones en el ámbito de SDE han sido poco exitosas e incluso, han causado distorsiones en el mercado de SDE causado por subsidios. Para contrarrestar estos efectos negativos hay una tendencia entre las agencias de cooperación internacional de desarrollar políticas basados en los mecanismos del mercado. Sin embargo el limitante principal para el desarrollo efectivo de estas políticas, es que existe poco conocimiento del mercado comercial de los servicios y los mecanismos que dominan entre la demanda y la oferta. Como señalan los anuales SDE seminarios del OIT en Turín, Italia, hay una escasez de ejemplos de proveedores comerciales. Así también en América Central, como una región energéticamente involucrada en el desarrollo empresarial, y donde existen pocos ejemplos de proveedores SDE fuera el mercado subsidiado. La sistematización de experiencias comerciales exitosas podría aportar pautas para los intervenciones en el mercado de SDE.

Objetivo del Estudio
Para aumentar el conocimiento del mercado SDE, y facilitar el desarrollo de las políticas con respecto a las MYPE para la Cooperación Internacional y los Gobiernos Centroamericanos, el estudio identificará dos proveedores como puntos de referencia de aprendizaje en cada uno de los siguientes países centroamericanos:
- Costa Rica como país más desarrollado en la región
- El Salvador como país más activo en el desarrollo empresarial
- Nicaragua como país pobre y con mucho cooperación internacional
- Honduras como país pobre y una economía caracterizada como agrícola

El estudio estará enfocado hacia la identificación de los casos como aporte al cuarto SDE seminario en Septiembre 2003. Dependiendo de los resultados se propondrá una estudio más al fondo.

Marco Conceptual
Durante los últimos años el debate sobre el desarrollo de las MYPE esta enfocado en el desarrollo de los mercados SDE. Varios estudios han señalados que estos servicios podrían jugar un papel importante en el éxito de las MYPE. A través servicios en los ámbitos administrativo, comercial, y técnico-productivo, las MYPE tienen acceso a información y tecnologías que contribuyen a lograr una mayor eficiencia en sus sistemas de producción, y así aumentan su competitividad.

Un grupo de actores importantes en la oferta de servicios son los proyectos de desarrollo del sector público y/o de la cooperación internacional. Sin embargo, su enfoque es limitado y se encuentra en algunas actividades específicas, como son las capacitaciones y la creación de instituciones gremiales. Otro grupo valioso son los proveedores comerciales que venden sus servicios a las MYPE, como servicios de comercialización o los que facilitan en los tramites.
Sin embargo, sobre el funcionamiento y el alcance de estos servicios existe poca información.

Este estudio identificará proveedores comerciales con un cierto nivel de éxito en las MYPE. El estudio adoptará una amplia concepción de los SDE, incluyendo formas arraigadas, informales y poco convencionales como los medios de comunicación. También, se enfocará principalmente hacia aquellos servicios que aumentan el acceso a los mercados en forma directa, porque para las MYPE, el acceso a mercados (nuevos) es un área cada día mas relevante. A través de la identificación de algunos servicios de desarrollo empresarial en Centroamérica, se pretende contribuir a la sistematización de los factores que contribuyen y limitan el desarrollo de estos proveedores comerciales.

**Plan de Trabajo**

A. Preparación:
- Estudio de documentación y fuentes secundarias relevantes
- Coordinar y planificar con CENPROMYPE en El Salvador
- Identificar y coordinar con los actores claves en cada país
- Definir la metodología de investigación comparativa
- Identificar en cada país un área de alta producción con un
  Concentración de MYPE
- Formular encuestas
- Seleccionar estudiantes por país como asistente

B. Identificación:
- Entrevistar al lo menos 20 MYPE sobre los proveedores mas (en cada país) exitosos con el fin de identificar 10 proveedores
- Entrevistar estos 10 proveedores con el fin de identificar los 2 más interesantes
- Redactar los 2 casos

C. Reportaje:
- Un reporte con los 8 casos, conclusiones y recomendaciones.

**Producto Esperado**

El producto final será un documento con una totalidad de 32 páginas escrito en inglés.

1. Introducción 1p
2. Antecedentes 2p
3. Contexto CA 3p
4. Enfoco y Metodología 2p
5. Análisis de los casos
   - Costa Rica 5p
   - El Salvador 5p
   - Nicaragua 5p
   - Honduras 5p
6. Conclusiones 4p
Annex B: Research Programme

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CR: Costa Rica  
NI: Nicaragua  
ES: El Salvador  
HO: Honduras
Annex C: Interviewed Persons

**El Salvador**
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- Camara Salvadorena de Artesanos
- Camera de comercio e industria de el salvador
- Cenpromype
- Centromype
- Conamype
- Fademype
- Focus group
- Fundacion Agropecuaria de El Salvador
- Fundapyme
- Fundapyme
- Fusades
- GTZ
- Interglobal business
- La Tienda
- red Artesanal
- Trueque
- Christian Nadeau
- Orscar Cortez
- Claudia Sequeira
- Fernando E. Garcia R.
- Ingrid Figueroa Santamaria
- Merlin Alejandro Barrera
- Carolina Monico Delgado
- Fabio Emilio Buiza Lopez, 9 empresarios
- Fernando Granados Ortiz
- Luis Armando Castro Tobar
- Oscar Ricardo Quintanilla
- Julia Evelin Martinez
- Lourdes de Levisohn
- Maritza Rivas
- Mauricio Guinea Olivares
- Yarnira de Maida
- Carmen de Rusconci
- Carlos A. Juarez Novoa

**Honduras**
- AGRO PYME
- AGRO PYME
- ANAH
- ANDI
- ANDI
- ASPPE
- ATA
- CDH
- CENPROMYPE
- CERTEC
- COHEP
- COHORSIL
- CONAMIPYME
- Crecerconsunempresa
- CUPROFOR
- ESA consultor
- Fedecamera
- Michael Velten
- Iván Rodríguez
- Samuel Espinoza
- Guiellermo Matamoros
- Dalecia Morales
- Mario R. Albery G.
- Guillermo Valle
- Adelina Vasquez L.y Daisy Benitez
- Manuel Rodríguez (9876198)
- Fernando Berrios
- Joaquin Bulnes
- Victor Barahona
- Ingrid Quiroz Galuez
- Ph.D Josué Alvarado
- Angelica Sanchez
- Tania Gaekel Wildt
- Juan Manuel Moya Herrera
Annex C

FONDO VIAL
Friedrich Ebert Stichtung
FUNADEH
Fundacion Jose Maria COVELO
Fundacion Jose Maria COVELO
Funhde
GTZ
ICADE
ODCA
Peter Moers
SNV
SNV
SNV

Nicaragua
ACOMIN
ACOMIN
ACOMIN
ACOMIN
ADVANCED
BCIE
CANIMET
CECSA
Comisión Nacional de Energía
Consultores
Consultores
COSUDE
DAG
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Dutch Embassy
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PRODEM
PROMUJER
PROSEDE
SNV

Ruth Xiomara Castellanos
Nuzli Montes de Oca
Carla Ucles
Juan Jose Lagos dir.
Bertha Balahwy
Romulo Rodezno, SDE specialist
Leonidas Avila
Manuel Benson
Toon Kejsers
Miguel Godoy
Rene Frenken

Walter A. Renasco
Carlos A. Gil
Donald E. Garcia Osorio
Rafael Barria
Francis Obregon Arista
Lic. Ivonne Shiffman
Donald Porras
Freddy Cruz
Harold Somarriba
Luis Felipe Correa
Thelma Sandoval
Carmen Alvarado
Hugo Sanchez Morales
Didier Lacroix
Bart van Zwieten
Rogelio Pla
Marlen Lucia Landero
Imelda Lopez
Lic. Rosaria Hernandez de Lopez
Alfredo A. Garcia-Murillo
Abel Largaespada Uribina
Holger Cisneros
Raul Ernesto Fajado
Luis Lopez Okrassa
Carlos Ramos
Paul Davidson
Rosana Ovstrozky
Cosmar Siles
Guillermo Rivera Cáliz
Rogier Verschoor
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<td>Lorena Ochoa Garcia</td>
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<td>Luis Miguel Domínguez Sancho</td>
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<td></td>
<td>Astrid Cremers</td>
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Annex D: Questionnaires

Questionnaire used for Enterprises

1. Detalles de la empresa
   1.1 Nombre del entrevistado:
   1.2 Cargo del entrevistado:
   1.3 Educación:
   1.4 Dirección:
   1.5 Teléfono:                Fax :
   1.6 Fecha de inicio de la empresa:
   1.7 Sector de la empresa:                Especifique:
      Servicio
      Comercio  Minorista
      Industrial
      Agricultura
      Otro
   1.8 local de la empresa:
      No local
      Local temporal
      Puesto en el Mercado
      Tienda, taller o oficina
   1.9 Numero de empleados
      Empleados tiempo parcial
      Empleados tiempo completo
      Notas adicionales de la empresa

2. Servicios Usados o Conocidos

<table>
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<tr>
<th>Servicios Empresariales: Servicios externos, contratados, sin frecuente participación del empresari@</th>
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</thead>
<tbody>
<tr>
<td>Servicios financieros</td>
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<tr>
<td>Servicios de auditoría y contabilidad</td>
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<tr>
<td>Gestión de recursos humanos</td>
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<td>Estudios de factibilidad</td>
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<td>Servicio de tramites legales, impuestos..</td>
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<tr>
<td>Mercadeo</td>
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<tr>
<td>Diseño</td>
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<table>
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<tr>
<th>Servicios de Desarrollo Empresarial: Servicios con cooperación intensivo del empresari@,</th>
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<td>Asociatividad y clústers</td>
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<th>Servicios Institucionales: Beneficio al sector total</th>
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<td>Políticas públicas</td>
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<tr>
<td>Organizaciones con apoyo al sector</td>
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<tr>
<td>Sistematización de experiencias</td>
</tr>
<tr>
<td>Gremialización</td>
</tr>
<tr>
<td>Otros (Especifique):</td>
</tr>
</tbody>
</table>

   | Comunicación y difusión de información                                                   |
   | Investigación socioeconómica                                                             |
   | Género y desarrollo empresarial                                                          |
   | Ventajas de Impuestos                                                                     |
# Questionnaire used for Pioneering Providers

<table>
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<tr>
<th>Annex D</th>
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1.1 Origen de su empresa
- Cuantos años de experiencia tiene Usted en el sector MYPE
- En que año Usted fundó su empresa actual
- Cual fue la razón iniciar su propia empresa
- Usted tenía experiencia previa en el manejo de una empresa propia

1.2 Carácter de la empresa
- Que es el estado legal
- Cual es la visión y misión de su empresa
- durante los últimos 2 años hubieran cambios importantes en su estrategia empresarial

1.3 Situación actual
- Actualmente, cuantas personas tiene Usted en su plania
- Como es la estructura organizativa de su empresa (organigrama)
- Durante los últimos 2 años su empresa tenía convenios con otras empresas y/o organizaciones
- Cuanto fue la venta bruta para el periodo de 2002
- Hubo un crecimiento en comparación con el año 2001
- Usted tiene un plan de negocio, en el caso que si, que elementos contiene dicho plan

2.1 Los Servicios Ofrecidos
- Cual es los servicios que su empresa ofrece
- Cual de ellos es lo más importante
- Durante los últimos años Usted agregó y/o eliminó algún servicios

2.2 Impacto de sus servicios para el cliente
- Cual es el valor agregado para sus clientes
- Usted maneja un sistema de seguimiento y evaluación, en el caso que si, cuales son los indicadores que Usted toma en cuenta

2.3 Ingresos
- Como calcula Usted el precio de sus servicios
- Usted maneja precios variables
- Usted maneja descuentos en algunos casos
- Que porcentaje del costo real de su servicio paga el cliente
- La empresa recibe ingresos adicionales de otras fuentes (por ejemplo subsidios)
- Para el año 2002 su empresa logró un equilibrio financiero (ingresos mayor a los gastos)

3.1 Cliente
- Como describe Usted su clientela (características socioeconómicas y sector productivo)
- En que zonas de su país trabaja Usted y cual es la zona más importante
- A cuantas personas brinda Usted sus servicios
- Cómo mantener la relación con sus clientes
- Durante cuanto tiempo Usted trabaja en promedio con un cliente
- Durante los últimos 2 años, Usted registró un cambio en su clientela, en el caso que si, a que se debe

3.3 Mercadeo
- Que tipo de actividades desarrollo Usted para promover sus servicios?
- Cuales son los cambios más importantes que Usted ha observado en el mercado en que Usted ofrece sus servicios
- Como llegar a otros segmentos del mercado
- Como confrontar al futuro

3.4 Que es clave para el éxito de su negocio
Annex E: BDS Providers Shortlist

| El Salvador  | 1 Red Artesanal  |
|             | 2 FUNDAPYME     |
|             | 3 Red Trueque    |
|             | 4 CONEXITO       |
|             | 5 FAT            |
|             | 6 Trade Point International |
|             | 7 ATA           |
|             | 8 La Tienda . com |
|             | 9 AFIS          |
|             | 10 E boletín    |

| Honduras     | 1 ODCA          |
|             | 2 CUPROFOR      |
|             | 3 COHORSIL      |
|             | 4 FUNADEH       |
|             | 5 AGRO PYME     |
|             | 6 ICADE        |
|             | 7 Crecer con su empresa |
|             | 8 CDH          |
|             | 9 SNV          |
|             | 10 ANAH        |

| Nicaragua    | 1 PROSEDE       |
|             | 2 DAG Consultores |
|             | 3 SWISSCONTACT  |
|             | 4 CEGE         |
|             | 5 UNYD         |
|             | 6 PRODEM       |
|             | 7 Technoserve  |
|             | 8 CECSA        |
|             | 9 IADE - UAM   |
|             | 10 ADVANCED    |

| Costa Rica   | 1 CEGESTI       |
|             | 2 FUCODES       |
|             | 3 ACORDE       |
|             | 4 GALILEO      |
|             | 5 Eco logica   |
|             | 6 PRODESA      |
|             | 7 ASESORIA y DESARROLLO PYMES S.A |
|             | 8 CENTRO DE ACTUALIZACION PROFESIONAL |
|             | 9 FUNDES      |
|             | 10 CAATEC     |