























Business Development Services Facility Management: Lessons learned from the Dutch Good Growth Fund

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Purpose of the document

This document has been developed by the Dutch Good Growth Fund (DGGF) and Dalberg Advisors to support BDS facility managers and funders to think through key design elements when setting up their programs.

This document has two key parts:

- Part One provides of background and context of this report and DGGF
- Part Two captures some lessons learned from the DGGF evaluation to inform the toolkit

User Manual | The toolkit offers different entry points and can be best leveraged by using the toolkit's features

Structure and toolkit's entry points

Documentation to familiarize with BDS

- Context & approach
- Lessons learned from the BDS evaluation
- DGGF contact details for more information

Appendices

- Abbreviations and terminology
- Definitions

Toolkit's features

- Description boxes of key lessons and data that inform effective design and implementation
- Check-list of each component to support design features
- The tool icon indicates practical tools and frameworks that BDS providers can use
- The click icon has hyperlinks to tools and definitions

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01 Context & approach

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Business development support (BDS) bolsters enterprise growth in frontier markets and generate significant impact

SMEs play a critical role driving economic growth, employment, and innovation



SMEs represent **90% of businesses** and account for more than **70% of employment** in emerging markets



SMEs contribute to **GDP value add by more than 25%**

Effective BDS plays a critical role in supporting SMEs……

- **Improving business processes**: BDS builds core businesses operations and processes to ensure effective management
- **Enhancing networks**: BDS supports access to networks to enhance knowledge, peer learning and potentially seize opportunities for growth
- **Navigating challenges**: BDS provides essential skills and knowledge to navigate challenges
- **Ensuring stability or scaling**: BDS provides specific support that can lead to better business performance and scale
- **Driving impact**: BDS support drives impact either through specific program goals i.e. a climate focus or the results from enhanced businesses- i.e. job creation
- And more…

……and from DGGF's work, we have seen they support local economies

7,870

No. of jobs created through DGGF support (2023)

135M EUR

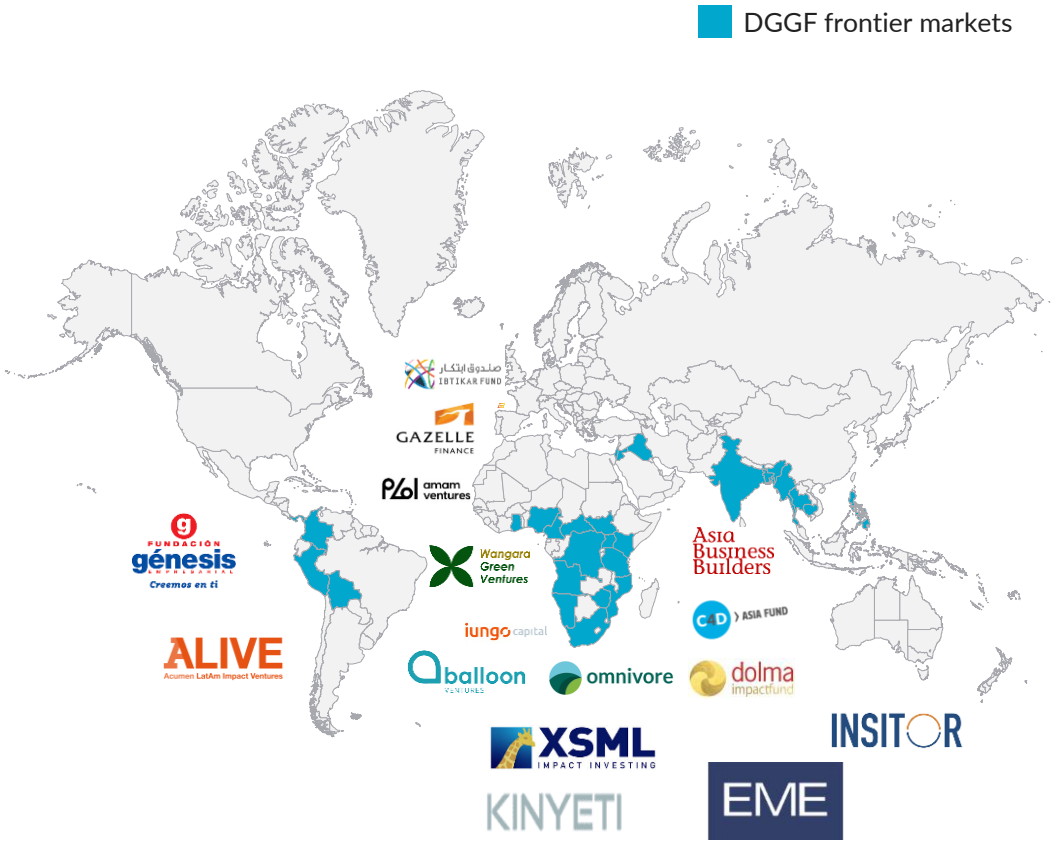
Additional capital raised through DGGF support (2023)

Source: World Bank, Small and Medium Enterprises (SMEs) Finance; World Trade Organisation, SME Competitiveness and Aid for Trade, 2015

Dutch Good Growth Fund (DGGF) continues to be instrumental in narrowing the SME finance gap; deploying capital to SME funds in frontier markets, providing financial and non-financial support

DGGF context

- DGGF is one of many funders that contribute to BDS support globally and in emerging markets
- Since 2014, the **Dutch Good Growth Fund (DGGF) has been instrumental** in **enhancing financial ecosystems** within frontier markets
- DGGF's **Seed Capital and Business Development (SCBD) program** has been a **vital tool in providing Business Development Services (BDS) to local entrepreneurs** and driving systematic impact as a pioneer, mentor, advisor, and cross-sectoral knowledge builder
- **DGGF's strategy targets SMEs and the missing middle through partners across frontier markets** – specifically in Asia, Africa, Latin America and MENA



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While there are several different definitions of BDS, DGGF uses a specific definition that focuses on BDS as value added services provided by fund managers to their portfolio companies

DGGFs BDS definition

What

Facilities managed by fund managers creating investable pipeline, de-risking investments or provide value adding services to their portfolio companies.
These facilities are intrinsically linked to the investment fund and BDS funders based on fund and funder requirements and objectives

How

Through '**side-car' business development support to a fund,** supported by **matching grants** and incorporates **cost share**

Who

Directed to **current and prospective** portfolio enterprises

When

At **pre and post investment**

What make this unique?

Challenge

There are a lot of actors providing BDS to SMEs through **independent programs and dedicated facilities** by crowd sourcing funds from donors and/or government; but they remain **unlinked to accessing finance** - A key need for enterprises in frontier markets

Solution

Side car BDS facilities - Linked to funds - Address this challenge; they enable funds to provide growth capital and BDS which improve SME performance and add value to their investments

Notes: This toolkit applies DGGF definition of BDS when mentioned within this documents
Source: Dalberg Analysis, 2024; SME Finance Forum , Financially Constrained Enterprises as a % of Total Enterprises of the Same Size, 2018

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Given the importance of BDS, DGGF conducted an evaluation of its portfolio, of which the learnings were used to develop this BDS toolkit

We took a three-stepped approach to developing the toolkit

1. Conducted an evaluation of DGGF's portfolio – including portfolio data review, key stakeholder interviews (17 interviews – BDS and SMEs), surveys (16 providers serving 220+ SMEs) and peer benchmarking
2. Held a working session to get live feedback at the DGGF 10-year event
3. Synthesized findings and developed the toolkit

Approach to developing the toolkit

Objectives of the document

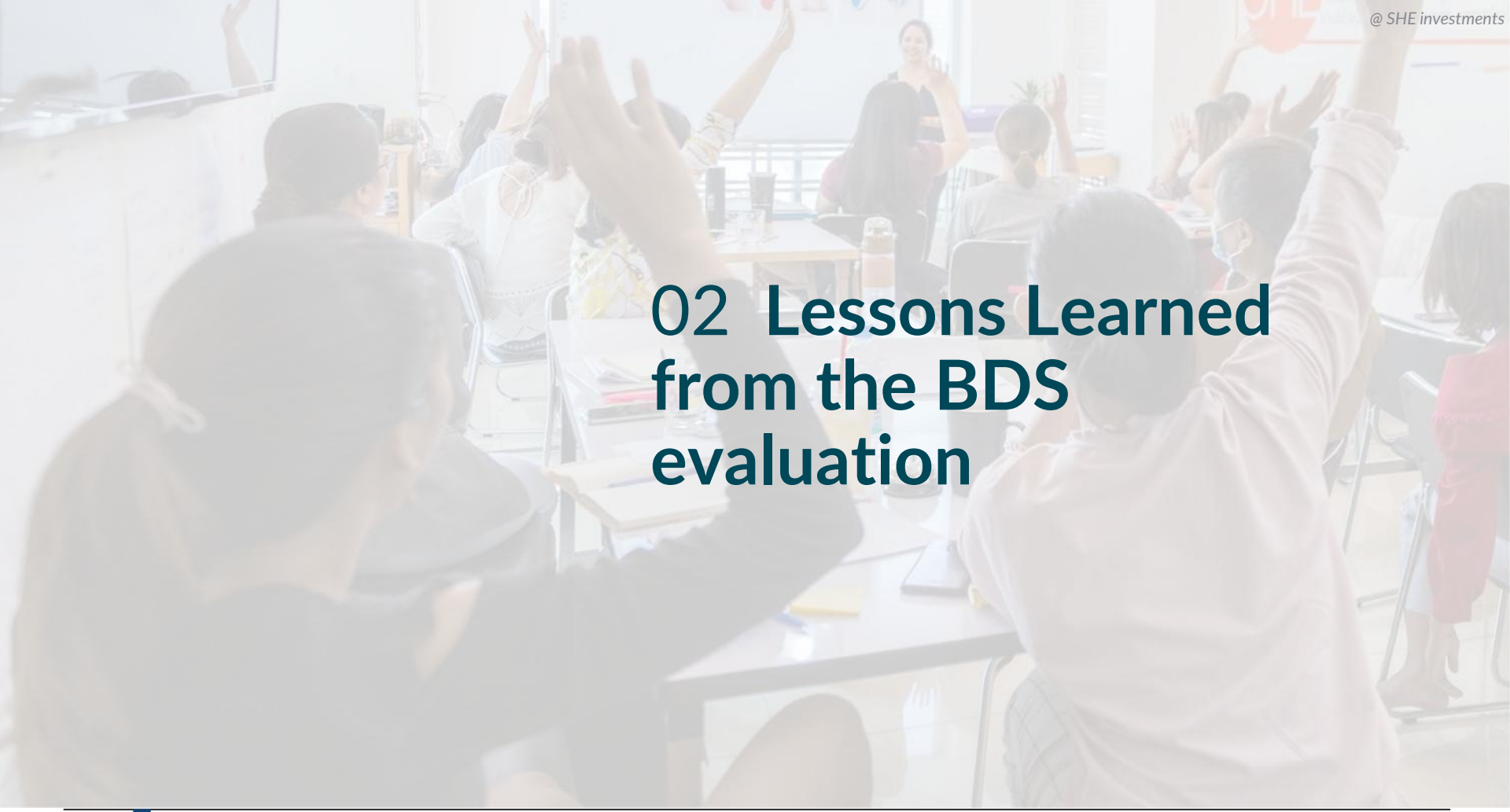
Sharing key lessons with current and potential BDS funders to enhance programming

Supporting BDS funders who want to effectively support BDS, and **influence more spend towards BDS**

Enhancing public knowledge of BDS leading to acceleration of the use of BDS facilities

Report limitations: The charts in this document from the DGGF evaluation represent directional findings rather than causation given two key factors: 1) there are multiple factors that can contribute to BDS success including the macroeconomic environment and 2) the sample size was limited and mostly self-reported

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02 Lessons Learned from the BDS evaluation

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Key insights on BDS from DGGF portfolio evaluation

Cost-sharing

Firms that pay for part of their BDS also seem to perform better, which may offer an additional design lever for cost-effectiveness; an important caveat. However, is this **may lead to the exclusion of some SMEs**

Efficiency levers

BDS providers can deliver well while using the right levers on time, program size, and modality: A standardized approach can work well to achieve the effective results and therefore the modality should always be evaluated per topic and investee group.



SME needs

Knowing the SMEs within a portfolio is key to designing effective programming – Frameworks such as stage and type of SME can support this BDS program manager's understanding

Tailoring

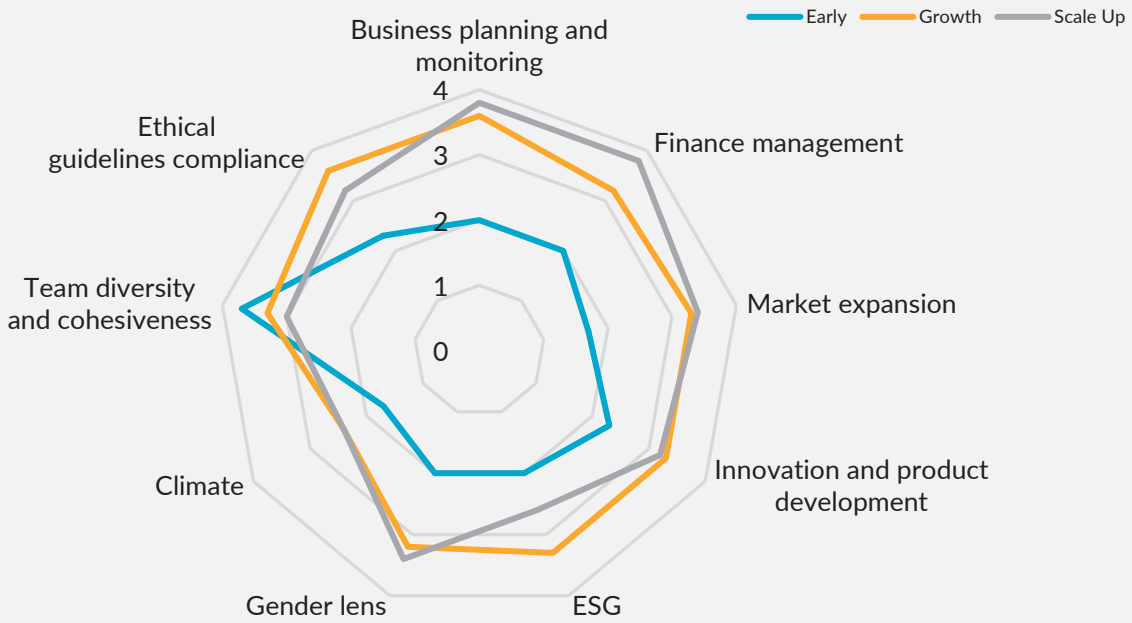
Not surprisingly, a **tailored service individualized to the SME leads to stronger financial results** from BDS; however, this carries a **significantly higher cost for the BDS provider. Further, results for a mixed approach are positive,** suggesting that a wholly tailored program is not required and can achieve greater impact per cost

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SME needs by stage |Enterprise portfolios are rarely heterogenous meaning BDS cannot be provided through a “one fits all approach”

Impact of BDS service[1] (1 to 5 scale, with 5 = “Significant Impact”)
Segmented by stage and type of SME

Stage



Lessons

- Identifying characteristics defines needs and enables BDS to be positioned to add value
- Early-stage enterprises focus on establishing a viable product and market fit; growth stages SMEs work on expanding market reach and refining operations, while scale-up SMEs aim for large-scale expansion

Source: DGGF SME survey, 2024, stakeholder consultations, Dalberg analysis.

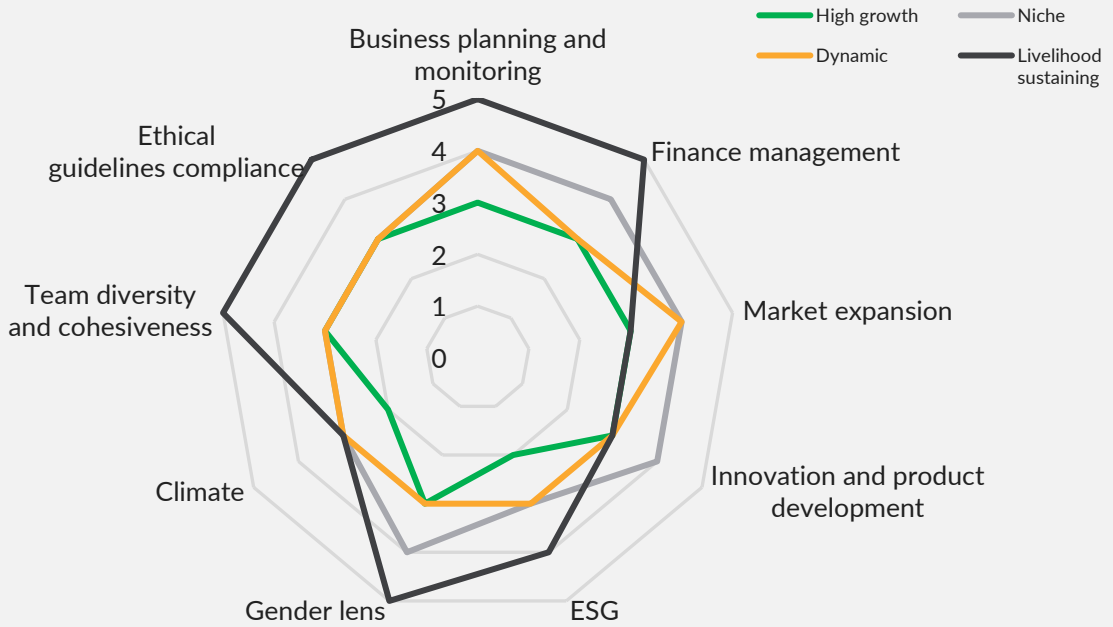
Click for definitions by stage

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SME needs by type | Each SGB category has distinct growth trajectories that determine their pathway and thus what services they find most useful

Impact of BDS service[1] (1 to 5 scale, with 5 = "Significant Impact")
Segmented by stage and type of SME

Type



Lessons

- Type of business show an additional lens to understanding the needs
- Livelihood and dynamic enterprises have core business requirements across BDS and thus support across any of these areas is additive
- High-growth businesses have more specific needs and to be additive requires targeted support based on a growth path
- For niche – given the narrow focus on products – the impact is seen across innovation, market expansion, and key business operations to scale

Source: DGGF SME survey, 2024, stakeholder consultations, Dalberg analysis.

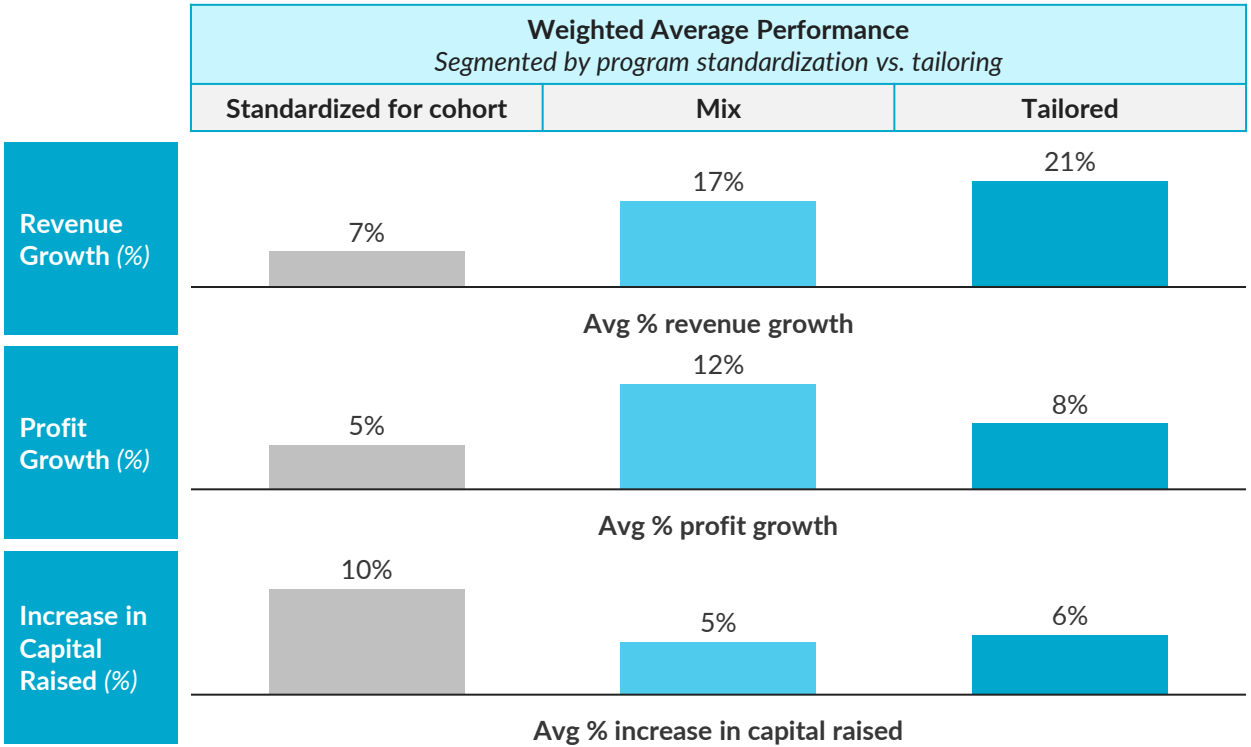
Click for definitions by type of SMEs

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Tailoring | Individualized BDS leads to better results for SMEs in terms of revenue and profit growth

Impact tailoring program content

DIRECTIONAL, N = 16 BDS providers reporting estimates for ~210 - 250 SMEs; self-reported data



Lessons

- Tailoring content – at least in part – appears to help SMEs grow revenues and profits more
- Tailoring is no guarantee – lack of BDS results is possible for all types of program designs
- Results for a mixed approach are positive, suggesting that a wholly tailored program is not required and can achieve greater impact per cost
- Excluding most costly outliers, BDS that includes tailored content averages ~$20K USD per SME and $3K USD for standardized cohort-based BDS
- The stage of the market also plays a key role in whether it is underdeveloped, emerging, or mature – underdeveloped may require greater pre-investment vs post-investment support

Note: Estimated growth in revenue, profits, and capital raised were provided by the BDS providers as an indicative average for the SMEs they served, which are approximately ~250 across the 16 BDS providers surveyed. Source: DGGF BDS Provider survey, 2024, stakeholder consultations, Dalberg analysis.

Click for definitions by tailored & standardized

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Tailoring | As such, satisfaction levels are significantly higher for SMEs who received tailored BDS vs. those who did not

DIRECTIONAL, N = 19 SMEs

Satisfaction levels with tailored services is ~3x higher vs. those with standard programming

Net Promoter Score for SMEs **with** and **without** tailored services (% Promoters – % Detractors)

73

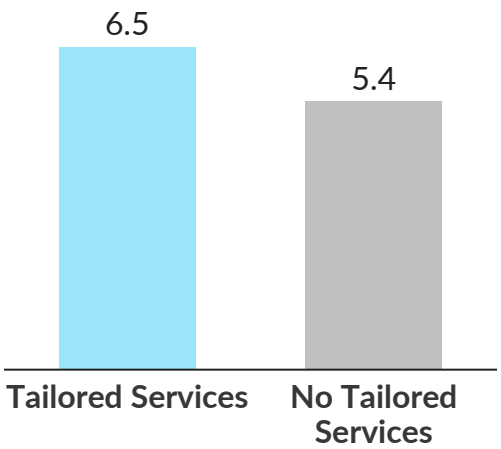
Tailored services – SME Net Promoter Score

25

Non-Tailored services: SME Net Promoter Score

SMEs with tailored BDS believed it greater impact on firm growth

Perceived impact on growth (1 to 10 scale)



"Promoters" among SMEs emphasized the tailored services, "Neutrals" noted its absence

> *Our business has witnessed a huge change since we got the BDS support. As well as individual benefits for me as a business owner*
>
> ***– SME, Promoter + Received Tailored Svcs***

> *The training was delivered with a group of people, it was satisfactory, but not in-depth to cater for individual needs*
>
> ***– SME, Neutral + Received No Tailored Svcs***

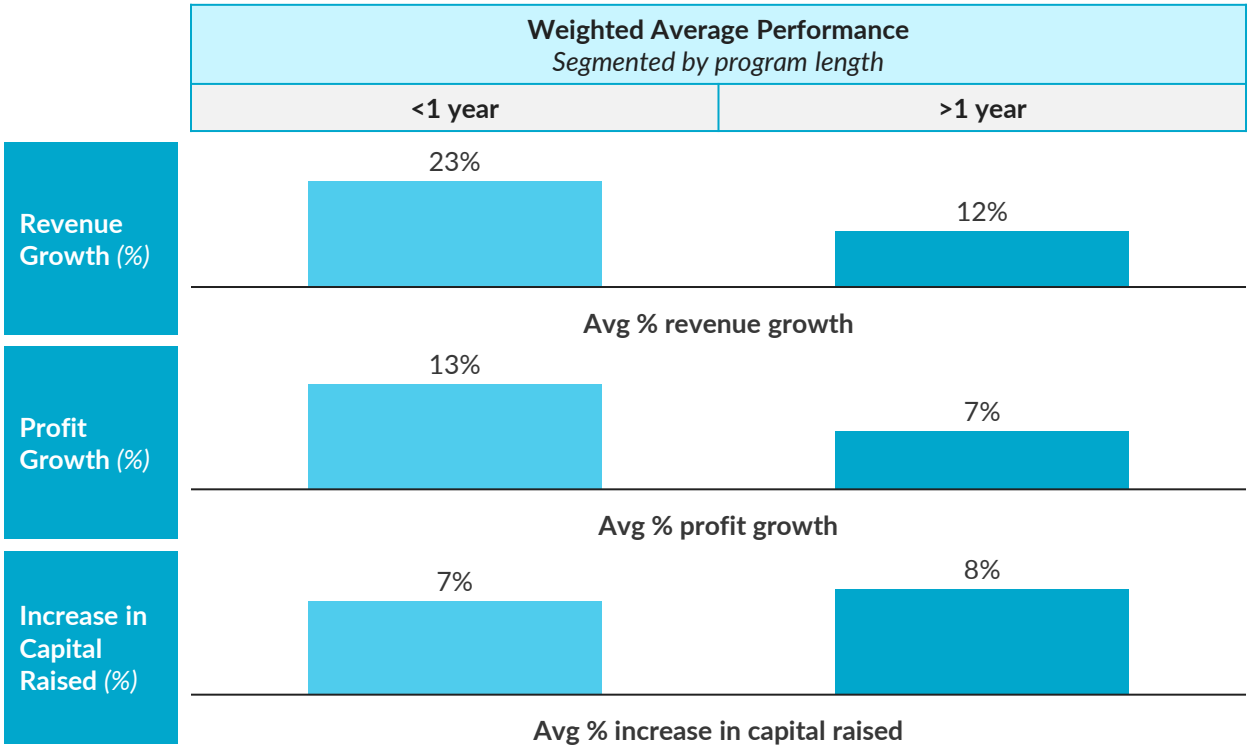
Note: Tailored: BDS program is tailored, with 1:1 support specific to needs of the SME (N = 8)
Source: DGGF BDS Provider survey, 2024, stakeholder consultations, Dalberg analysis

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Program length | Length of BDS support may have diminishing returns beyond 12 months – and thus delivery of short, focused programs may be one lever to manage costs

Impact of BDS by length of BDS program design

DIRECTIONAL, N = 14 BDS providers reporting estimates for ~190 - 230 SMEs; self-reported data



Lessons

- Shorter programs may be correlated with better performance - revenue and profit growth for SMEs
- Effect may be related to better SME engagement concentrated in a short period of time

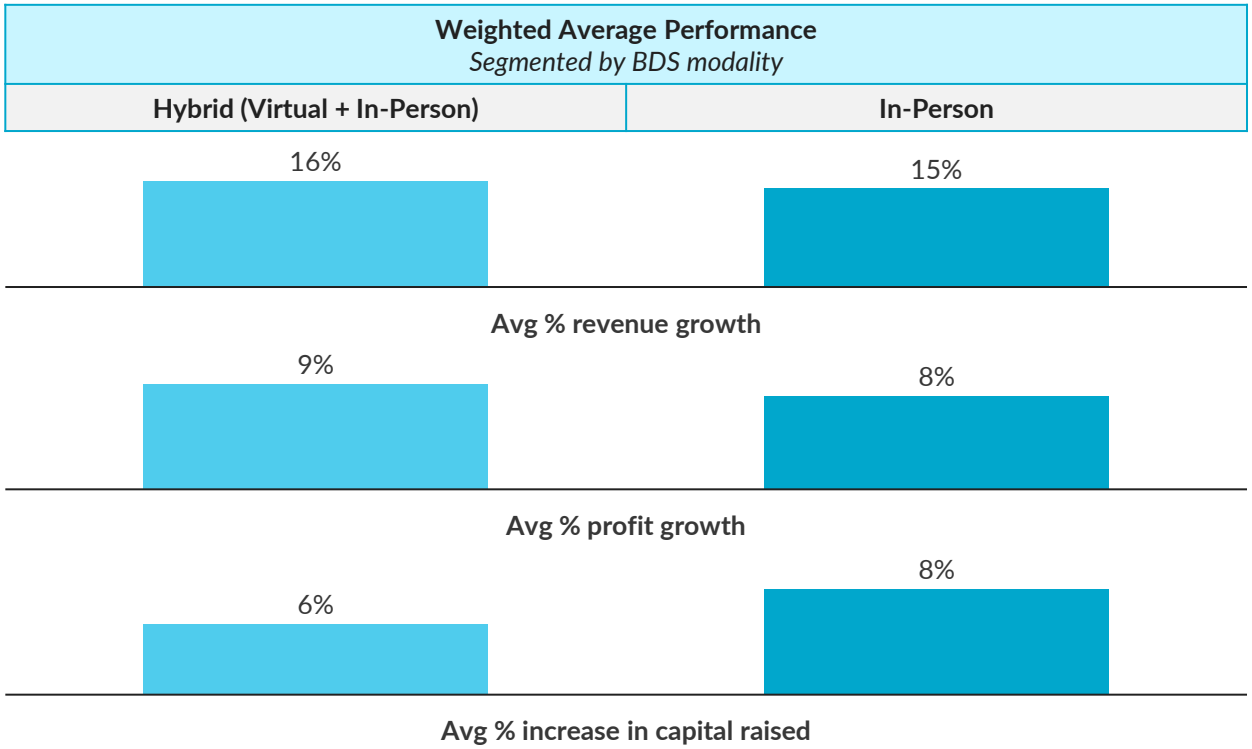
Note: <1 year: BDS program is 0 to 3 months (N = 3) or 3 to 12 months (N = 3); 1 year: BDS program exceeds 12 months, with sample set of N = 8
Source: DGGF BDS Provider survey, 2024, stakeholder consultations, Dalberg analysis

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Modality | Hybrid programs that combine in-person and virtual delivery of BDS can also help manage costs to serve – Without sacrificing effectiveness for SMEs

Impact of BDS by modality

DIRECTIONAL, N = 16 BDS providers reporting estimates for ~190 - 230 SMEs; self-reported data



Lessons

- SMEs and BDS providers appear to find virtual sessions to be a good complement
- Availability of virtual sessions saves on costs and time for both SME participants and providers
- Deciding on virtual vs in-person depends on the topics- virtual works best for more basic/early-stage subjects, and in-person works better for advanced subjects and hands-on support
- Virtual sessions are not a limitation and can allow both for standardized and tailored content

Source: DGGF BDS Provider survey, 2024, stakeholder consultations, Dalberg analysis.

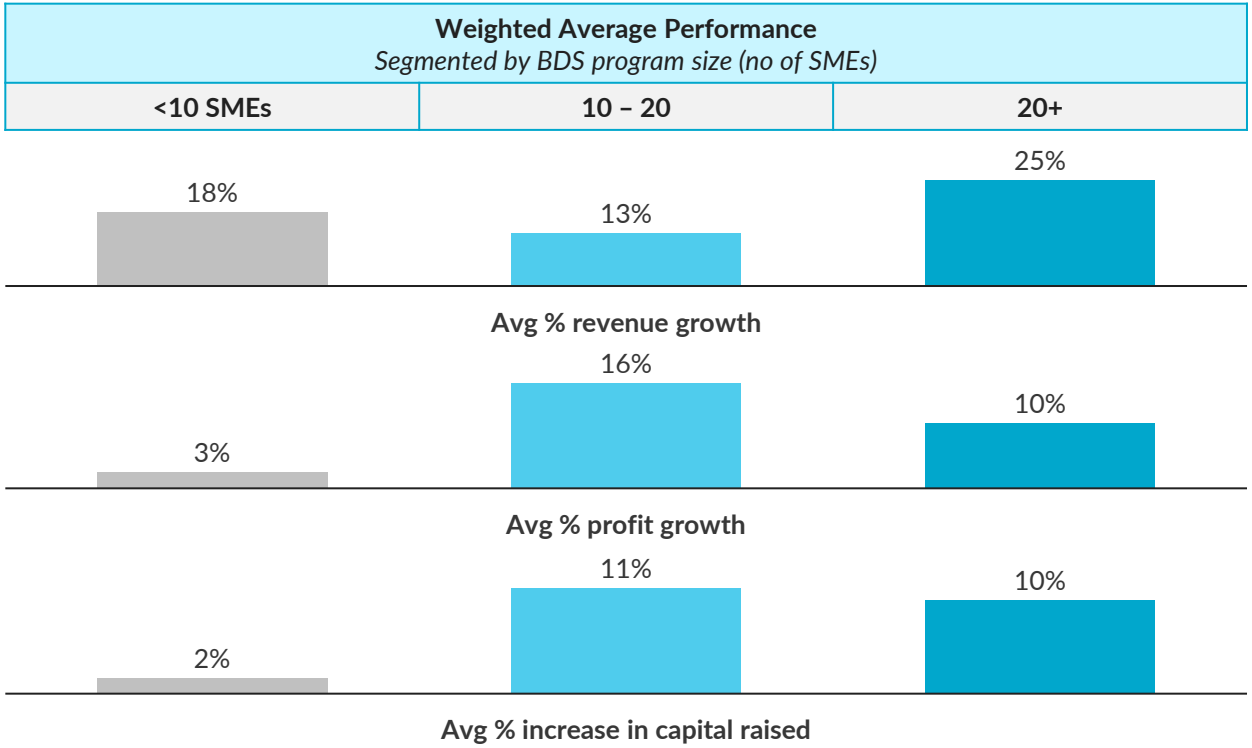
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Program size | Moreover, effectiveness of BDS does not appear to decline with program size – suggesting a lever to offer tailored services in a relatively cost-effective way

Impact of BDS by program size

DIRECTIONAL, N = 16 BDS providers reporting estimates for ~210 - 230 SMEs; self-reported data

Weighted Average Performance
Segmented by BDS program size (no of SMEs)



Lessons

- Small BDS programs can be more tailored, but this does not necessarily mean results
- Larger programs are potentially more cost-effective,
- A mixed approach can allow semi-tailored BDS in a larger program with more SMEs

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Modality | Tailored service individualized to the SME as a result of the unique needs is of most interest to SMEs

DIRECTIONAL, N = 27 SMEs

SMEs are most interested in receiving support tailored to their particular needs

Value of service (1 to 5 scale, with 5 = "Extremely Valuable")



Lessons

- Despite tailored services having a higher demand, this can be costly and there are examples where you can use different delivery model to have an impact
- For example, when a pool of SMEs is homogenous by stage you could start with cohort BDS to get all nuts and bolts in place and then move to tailored support as they scale

Source: DGGF BDS provider survey, 2024, stakeholder consultations, Dalberg analysis

Click for definitions of modalities

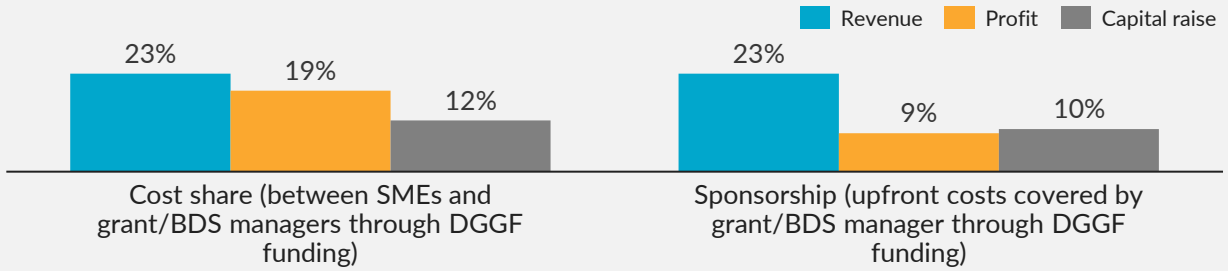
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Funding | Firms that pay for part of their BDS also seem to perform better, which may offer an additional design lever for cost-effectiveness

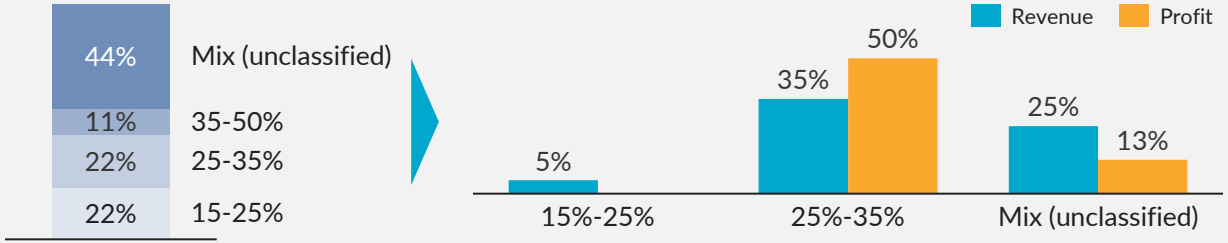
Impact of BDS by payment method

DIRECTIONAL, N = 16 BDS providers reporting estimates for ~210 - 230 SMEs; self-reported data

Average Performance
Segmented by BDS payment method



Level Of Cost Share (Counterparty Contributions)
Segmented by financial outcomes



Lessons

- The amount of cost-sharing depends on the context and the SME portfolio being supported
- For example, for impact projects or very early-stage SMEs, cost-sharing should be limited to avoid excluding SMEs from the program
- However, in the right context, cost-sharing can support sustainability of programming

Higher counterparty/cost-share contributions can lead to greater outcomes

Note: Cost share: BDS program are paid for in part by the SMEs, who share an agreed % of the total cost; Sponsorship: BDS program costs are covered by the TA facility or fund, and require no spending by the SME
Source: DGGF BDS Provider survey, 2024, stakeholder consultations, Dalberg analysis.

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For more information, please visit the DGGF website at:
https://english.dggf.nl/

or contact:
dggf@pwc.com

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06 Appendices

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Abbreviations and definitions

Abbreviations	Definition
BDS	Business Development Services
DGGF	Dutch Good Growth Fund
TAF	Technical Assistance Facility
USD	United States Dollar
VC	Venture Capital
WSME	Women owned SMEs

Term	Definition
SME	Enterprises that are profit oriented enterprises. An SME can be defined by the following characteristics: • Must be able to service an investment of $50,000 --$2M • More than five but fewer than 250 employees (at least 25 members • Annual turnover of $100,000 --$5 M USD • Total assets of at least $20,000
BDS	BDS facilities managed by fund managers in order to create investable pipeline, de-risk investment portfolio or provide value adding services to their portfolio companies and that are at least partially supported by grant support
BDS Provider	Organizations that provide business development services to SMEs

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Definitions

Terms	Definition
Stages of SMEs	• Early-Stage: Core management team and proven concept/product, but not cash flow positive • Growth: Received prior round of financing and now testing/adapting product • Scale-up: Proven concept that has achieved significant revenue growth and is cash flow positive
Types of SMEs	• High-Growth: Have highly innovative business models serving large addressable markets with a rapid growth trajectory • Dynamic: Operate in established “bread and butter” industries and deploy proven business models • Livelihood: Are small, opportunity-driven, family-run businesses that are on the path to increased formalization • Niche: Create innovative products and services that target niche markets or customer segments
Tailored vs standardized	• Standardized: BDS program is cohort-based with standardized content • Mixed: BDS program is mix of standardized content and tailored 1:1 support • Tailored: BDS program is tailored, with 1:1 support specific to the needs of the SME
Modalities	• Individualized/Tailored: Specific one time BDS programs tailored, with 1:1 support for specific needs of the SMEs • Retainer support: Ongoing advisory and consulting services provided on a continuous basis over an extended period • Events and workshops: Attending events, seminars, or workshops designed to offer training, networking, and knowledge • Cohort programs: Structured programs aimed at providing comprehensive support • Knowledge resources: Knowledge material, toolkits, online resources to support business growth and development

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