

Prime partnership

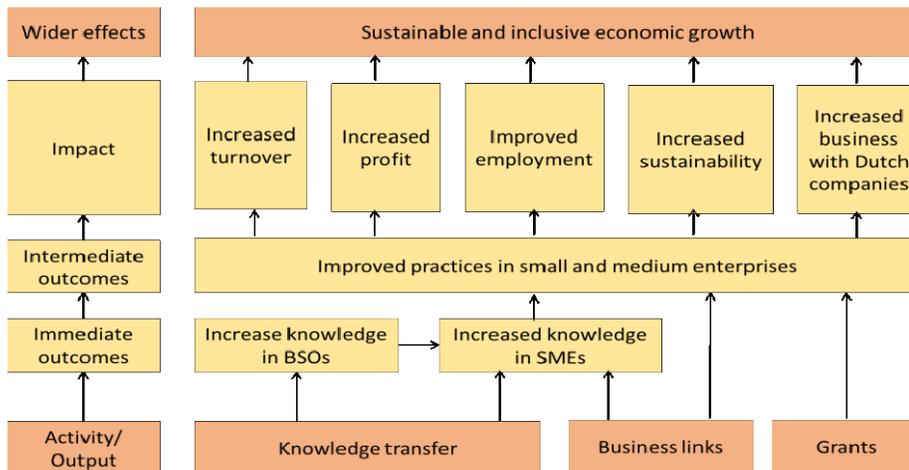
PRIME is a research partnership between Wageningen Economic Research, Erasmus School of Economics, PUM and the Centre for the Promotion of Imports from Developing Countries (CBI). It was established in 2013 to develop and implement a methodology to monitor and evaluate the real-time impact of private-sector development support to SMEs by PUM and the Centre for the Promotion of Imports from developing countries (CBI).

PRIME Survey

The data below is based on end report PRIME using data from survey multiple years and case studies.

Theory of change

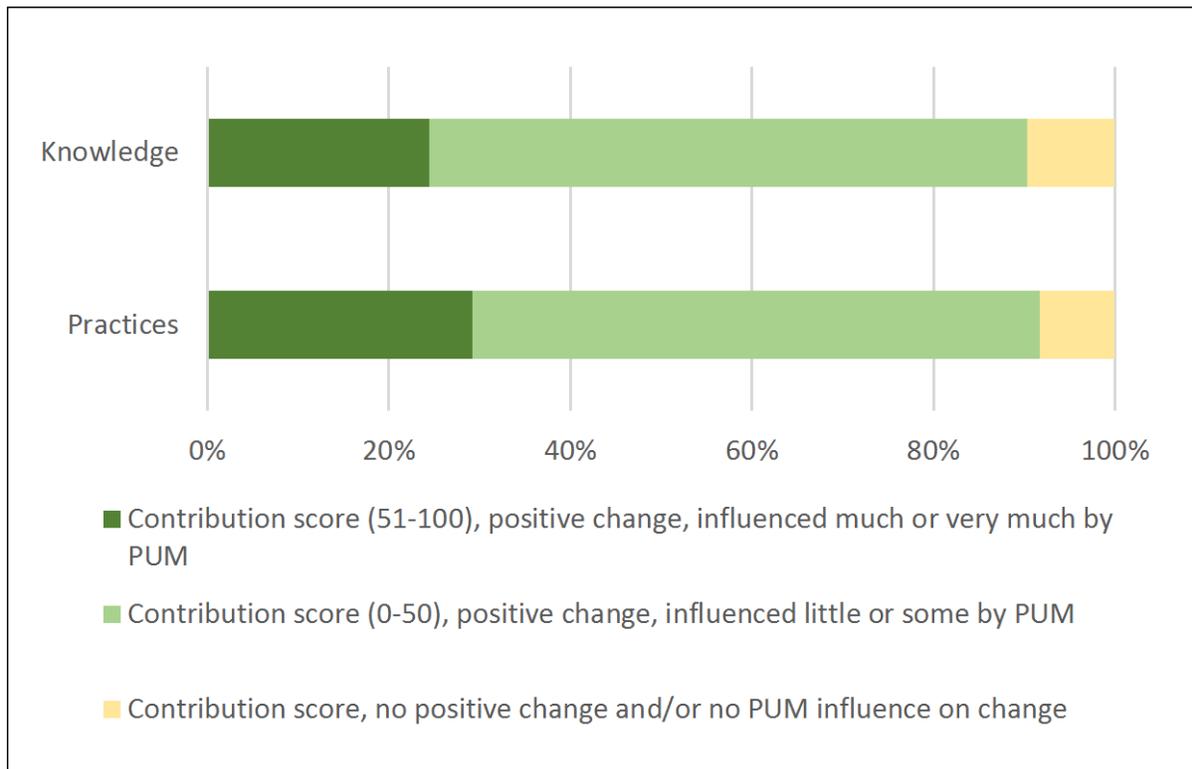
PRIME has developed a data collection system and an innovative mixed methods design to verify the assumptions behind PUM's theory of change. The PRIME partnership has developed a data collection system that makes it possible to verify the assumptions behind PUM's theory of change and assist PUM in monitoring progress on its objectives. PRIME uses an innovative parallel mixed method design that integrates the quantitative analysis of administrative data and online surveys with the qualitative analysis of interviews held with PUM beneficiaries, experts and stakeholders in five countries: Peru, Bolivia, Uganda, Bangladesh and Indonesia. The evaluation focuses on the impact of PUM missions to SME knowledge (immediate outcomes), practices (intermediate outcomes) and performance (ultimate outcomes). PRIME collected data over the period between 2014 and 2017.



PUM has generated positive changes in SMEs' knowledge and business practices

The results show that PUM has contributed to one or more changes in knowledge and business practices for 90% of the businesses they support. PUM's contributions were most significant in three areas: (1) efficient ways of organising the business, (2) leading, planning and organising the business, and (3) ideas about new products and services. Furthermore, PUM

experts were much appreciated for their technical expertise on production processes and knowledge on market requirements, and for their ability to generate new ideas for investments and business organisation. The data show a correlation between PUM's perceived contribution to business knowledge and the number of business practices adopted, confirming PUM's assumption that the knowledge acquired by PUM experts helps to improve SMEs' business practices. PUM's perceived contribution to better practices is quite evenly distributed in terms of business size and sector, with only small differences between sectors and business sizes.



PUM's contribution to better practices has helped to improve SMEs' performance.

The data show that the support PUM provides to improve business practices has translated into better business performances. The number of SMEs reporting an increase in profit is on average two to three per cent higher for those benefitting from PUM's contribution to better practices than for those who did not receive support from PUM. Typically, a company's sales increased by about €11,000 (34%) following PUM support compared to sales before PUM support. The effect of PUM's support on employment varies according to the focus of the missions. Missions that focus on *efficient ways of organising the business* increase employment in the business by 33%, while missions that focus on *financial management* reduce employment by 18%. However, missions that focus on financial management target companies that have financial problems and have to cut costs.

PUM's impact on SMEs' performance differs significantly between sectors and country income group. The data show that sales and employment growth is stronger in the tourism & catering

sector than in the agriculture & horticulture and food & beverage sectors. The sales for a typical SME operating in the tourism & catering sector doubles following PUM missions, while the increases in sales of SMEs in the food & beverage and agriculture & horticulture sectors are about 32% and 48% after PUM missions. Moreover, PUM missions are more successful at improving the sales performance of businesses in least-developed countries. Following PUM missions the sales of a median PUM firm from a least-developed country increases by 61% compared to the sales before PUM missions, while this increase is 25% for the median PUM firm from a lower middle-income country.

Effectiveness

The effectiveness of the support depends to a large extent on the qualities of the expert, the timing of the mission, and the communication between the expert and the SME manager. PUM's interventions are not always successful in boosting a firm's performances. During the cases studies, several firms indicated that the expert that was dispatched did not have the specific knowledge or expertise to help the firm with the particular problem it was facing. In other cases, the language barrier prevented effective communication. The lack of (advanced) Spanish-speaking experts was mentioned by both SMEs and local representatives as a major issue that impacts the effectiveness of PUM experts in Latin America.

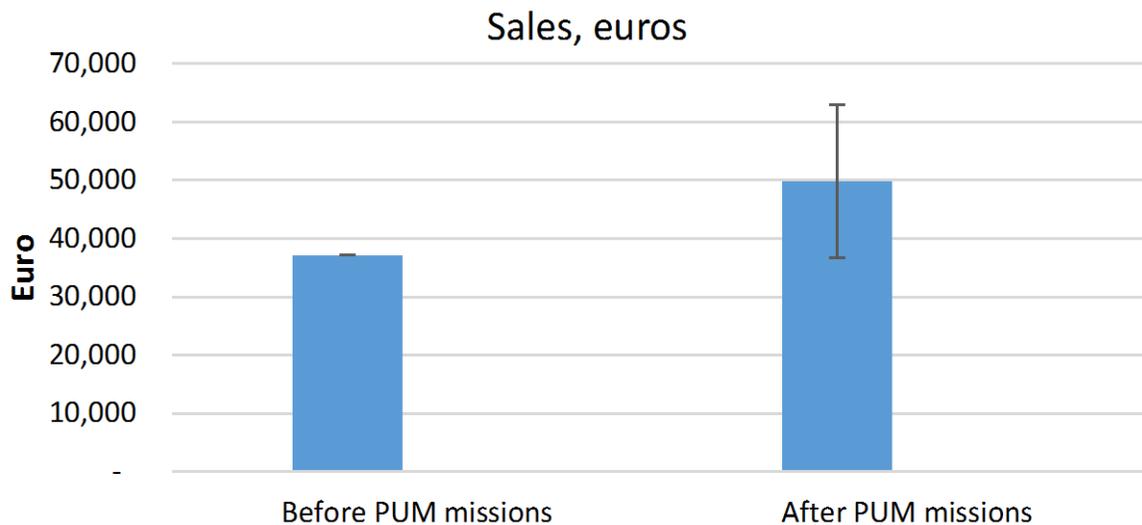
Results from this study vary significantly between different type of companies and under different conditions, pointing to important enablers of PUM's effectiveness. Some conditions seem to be more enabling for larger impacts, and some types of firm seem better suited to the support modalities used by PUM. Important enablers of PUM's effectiveness are the presence of strong business support organisations (BSOs). BSOs work to improve the business environment for public sector policy and investment programmes. According to the supported firms, another key enabler was access to finance to implement certain changes in business practices. Finally, both PUM's staff and policymakers consider more coordination with other Dutch private- sector support organisations to be important enablers of effectiveness.

PRIME results confirm PUM's theory of change as they demonstrate PUM's contribution to knowledge transfer and better practices, which have increased exports, profits and employment. Summarising the results of this study, we can conclude that PUM positively influenced knowledge transfer and better business practices among firms supported by PUM. Not only do the improved knowledge levels correlate with improved business practices, but the data also show that better business practices improve business performances. Firms supported by PUM have significantly increased their sales and profits, and the missions that have focused on improving business organisation have had a positive effect on employment. PUM's support has also proven to complement existing support: the level of expertise offered by PUM experts is considered to be unavailable in the local market.

Prime does not observe an overall significant increase in employment levels after PUM missions have taken place. The missions that focus on efficient ways of organising the business increase employment, but the missions that focus on financial management reduce employment. PUM support, therefore, does not always increase employment. The lack of an increase in employment following PUM missions combined with an overall increase in sales as explained below implies that PUM's support did help to increase labour productivity. This result corresponds with recent findings which indicate that the effect on employment seem to come last, and non-existent or negative effects on employment can even be good news because this helps firms to become more profitable

Businesses sales grow after PUM missions have taken place

Before receiving PUM support, the annual sales of a typical firm supported by PUM was about €37,000, while the average company employed 29 employees. After PUM provided support, the sales of a typical company increased by about €11,000 (34%) when compared to sales before PUM provided support – keeping the year, sector, country fixed effects and the year of the PUM mission constant in the regression – and our econometric analysis shows that this increase in sales is statistically significant at a 90% significant level.



Case studies PRIME

From 2014 until 2017, the PRIME Partnership research partners conducted qualitative case studies in 5 different countries. The case studies were selected across continents and sectors to reflect the diversity of the sectors and (economic) contexts in which PUM operates. The selected cases are: Bangladesh – IT, Peru – Natural Ingredients, Bolivia – Tourism, Uganda – Coffee and Agriculture, Indonesia – Fisheries and Aquaculture.

The purpose of the case studies is to provide an understanding of PUMs effects on business knowledge, practices and firm performance, as well as the contextual factors that shape the effect. Moreover, the additionally of PUM support to other available support is reviewed. You will find the response and lessons learned from PUM's point of view below.

Positive effects

The case study reports recognizes that PUM assisted firms are overall very positive about contributions that PUM has made to the increase in knowledge, practices as well as business performance. Some examples from Bolivia, Uganda and Bangladesh are below.

In the Bolivian case study report, a SME states in terms of improvements of business practices and the role of the expert: *"The right kind of expert, at the right time, can speed up the overall development of the firm."* An SME explains this by emphasizing that not only the advice was knowledgeable, but also the vision on the business was helpful.

In the Ugandan case study report, a SME mentioned that it's improved in developing future business opportunities through a business plan, which enabled them to receive additional investment.

In the Bangladesh case study report a SME mentioned, it learned to differentiate clearly between program and project management. As a result of this “[...] the supported SME was able to improve its management capacities, implement more decentralized decision making and thereby raise productivity.”

Lessons learned

Access to Finance

All reports address the challenges of PUM supported firms to retrieve access to finance (e.g. loans, investments) in general and to implement the PUM advice. PUM recognises this challenge and has made an inventory of financing institutions in the Netherlands, their preferences and requirements, and is starting with a pilot in 2018 in two countries to link firms requiring capital with financing institutions, after supporting the firms with improvement of their business plans.

Role of the Local Representative

The case studies have signaled multiple points of attention regarding the role of the Local Representative (LR). First of all, the report states that not in all cases the LR have followed PUMs intake criteria and there are some complaints about the process and communication on the application. PUM has clear intake criteria in place, and guidelines for LRs to follow. In January 2018, PUM has taken action to ensure implementation of these guidelines during intake. Secondly, the case studies have shown that the Local Representative cannot fulfill his or her full potential in acquisition of follow up missions, because of a lack of information about the client due to confidentiality. This is more complex to tackle. PUM acknowledges that the Local Representative should get more information about the client and is currently exploring how this can be realized. On the other hand the objectives of the confidentiality agreement remain valid: to protect the client against potential conflicts of interest with Local Representatives, often involved in competing businesses.

Follow up and sector approach

The case studies show that PUM assisted companies are interested in multiple missions by PUM, and/or follow up after the mission to increase impact. In addition, the case studies point to the value of a more sectorial approach, with the opportunity for long term and collective activities. This tells PUM that it should expand opportunities for customers to access multiple - and follow up missions, and no longer only work through 'one-off' missions. As a response to this, PUM is currently developing a programmatic approach in which a cluster of clients is supported over a longer period of time. For 2018 a target has been set at 5% of PUMs work, and 50% in 2020.

Matching: language and regional knowledge

The case studies point out that sometimes there is a mismatch between a SME and an expert in terms of knowledge of the subject matter, the region and proficiency in the local language.). Matching SME and expert on the subject matter is a core activity of PUM. However, some mismatches between supply and demand of experts will continue to occur. To ensure regional and intercultural knowledge, PUM has an on-going intercultural advisory training for all experts. Regarding the local language skills PUM will intensify it's recruitment of Spanish- and multi-lingual experts.

CSR issues

Some Corporate Social Responsibility (CSR) issues exist in PUM assisted firms, specifically in hotels in Bolivia. It is unclear for the researchers whether specific follow up has been given to CSR issues. PUM has installed an Ethics committee to assess (amongst other tasks) if PUM should assist these kind of firms at all, and advice the PUM organisation accordingly. In addition, the programmatic approach and better use of monitoring data should lead to a better follow-up on signaled CSR issues.

Cases study methodology

The methodology served it's purpose in the exploratory phase of PRIME. As PUM has more experience now, PUM wants to shift the focus to evaluating results against targets set, rather than only assessing whether the intervention logic is effective.

Conclusion

PUM is happy with the recognition by the researchers of the very positive effect of PUM on the knowledge, practices and performance of SMEs, although there are lessons learnt as well. The case studies demonstrate that PUM has an added value to the SMEs, complementary to and not competing with local consulting services, since these were perceived as either unavailable, too expensive or of lower quality. The PUM proposition has a high additionally in the tourism, IT, fisheries, natural ingredients and agricultural sectors of the selected countries. PUM's services remain relevant.