PRIME Case study report

PERU – NATURAL INGREDIENTS

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TABLE OF CONTENTS

1 PART A: THE INTERVENTION

1.1 Country dynamics

1.1.1 National economics dynamics

The World Bank classifies Peru as an upper middle-income country. Since the 90s GDP has grown steadily, with an average of 5.7% since 2005. This reversed the 30 years of stagnation between 1960 and 1990 (Carranza et al, 2003). Having experienced a long phase of strong economic growth, Peru has doubled its per capita gross national income (GNI).

The strong growth in employment and income have sharply reduced poverty rates. Moderate poverty (US$4 a day 2005 PPP) fell from 45.5 percent in 2005 to 19.3 percent in 2015. This is equivalent to 6.5 million people getting out of poverty during this period. Extreme poverty (US$2.5 a day 2005 PPP) declined from 27.6 percent to 9 percent over the same period (Worldbank Group, 2017).

Despite these achievements, the country still has large income disparities and a high concentration of poverty in rural areas. Structural problems, including a strongly centralised system of government, are obstacles to more efficient and transparent governance and basic public service provision (GIZ website).

Peru is severely affected by climate change. More than 50 per cent of the population live in the narrow desert belt along the Pacific coast, where the water supply is a growing problem. Peru has the fourth largest area of tropical forest in the world after Brazil, the Democratic Republic of the Congo and Indonesia, but its vast forests are being steadily destroyed as a result of overexploitation and resource extraction. This also poses a threat to Peru’s biodiversity, which is regarded as one of the richest in the world (GIZ website).

Since 2005 Peru is no longer a major recipient of ODA from the Netherlands because Peru became a middle income country. The Dutch government does however remain to support Peru through its business support programs, of which PUM and CBI are examples. Peru keeps on receiving ODA from other donors. The USA, Japan and Germany were the biggest donors in 2014-2015 (OECD data).

1.1.2 Overall business environment

About 60% of the employment in Peru depends on Micro Small & Medium Enterprises (MSME) sector (Instituto Nacional de Estadística (INE)). The majority of the MSME in Peru consists of micro enterprises (97.3% - 1 till 10 employees), and only a small part consist of small (2.2%, 11-50 employees) or medium enterprises (0.5%, 51-200 employees). This absence of medium sized SMEs is typical for the Peruvian entrepreneurial structure (Acevedo and Tan, 2010). The majority of MSME are in the sector of trade (61.5%) followed by services (22.7%) and manufacturing and processing (8.6%). (INE data 2007 cited in Van Rijn and Ton, 2014)

According to the Doing Business Ranking the ease of doing business in Peru is quite high. Peru ranked 42nd out (of 189 countries) in 2014 and 58 (out of 190) in 2017. With this score it is the second Latin American country after Chile (34th). For comparison, the Netherlands ranked 32nd in 2017. Dealing with construction permits, resolving insolvency and enforcing contracts remain the major challenges. The Peruvian government has various programmes related to SME support (http://www.doingbusiness.org).

1.1.3 General business support organisations

There are several public and private business support organisations in Peru: Sierra y Selva Exportadora, Promperu, ADEX and CCL. In this section we will elaborate further on their role, and collaboration with CBI and PUM.

Promperu

Promperú is Peru's official trade and tourism promotion organisation that leads Peru's promotion abroad, in collaboration with the private sector, the general public, and other government actors. Promperú offers many services for exporting companies through their 'Ruta Exportadora', a systematic approach to attend the needs of Peruvian companies who face challenges in their 'export route', and one that includes training, technical assistance on marketing, website promotion, CSR issues, corporate image building, competitive analysis, product development and capacity building, and other issues. For some of the services it offers through the 'Ruta Exportadora', it contracts private BSOs such as the Lima Chamber of Commerce (LCC) and the Association of Exporters (ADEX), and it also a partners in the CBI Peru country programme. The export coaching, offered through the CBI country programme, is offered as part of the 'Ruta Exportadora'.

Promperu participates in many regional and international fairs with country pavilions, in which Peruvian companies can participate for a fee. European examples relevant for the CBI country programme are Biofach, Anuga, and the European Seafood Exhibition (ESE). Promperu also finances a major part of the annual 'Expoalimentaria', the most important agro trade fair in the Andean region.

Promperu actively promotes all of the sectors covered by the programme, and has dedicated sector staff for all sectors, although only one person is in charge of the natural ingredients sector. It also implements a number of complementary and related programmes in these sectors, such as the Biotrade Programme, and the EC-financed ECOTRADE programme, targeting products from among others the Natural Ingredients, Grains, Pulses and Nuts, and Coffee & cocoa sectors, demonstrating Promperu's commitment to promoting these sectors.

CBI and Promperu have had a long history of collaboration in CBI programmes, including a BSOD programme from 2008 to 2011 that was aimed at improving the delivery of some of its services. In 2011 the new integrated program started. CBI regards Promperu as its main implementing partner in this programme for two reasons: 1) Promperu is a public BSO that is active in all of the programme's sectors, with sufficient financial and qualified human resources, and 2) Promperu is able and willing to bring together different private Peruvian BSOs in the CBI country programme.

Sierra y Selva Exportadora

On the back of the success of Peru's agriculture-for-export model, MINAGRI and the Ministry of Production (Ministerio de la Producción, PRODUCE) continue to develop policies to increase the added value of the agricultural sector. MINAGRI has supported the development of Sierra y Selva Exportadora, a public company that aims to move the country's Andean and jungle crops up the value chain. With a wide range of products from cranberry juice to cheeses, the company reached sales of $200m in 2014, more than double its results for the year. Public backing has allowed Sierra y Selva Exportadora to expand its business model across the highlands and rainforest (Source: Company Profile). The difference with Promperu is that Sierra Exportodora works directly in the field with farmers.

With Sierra Exportadora PUM has been working in the line of Andean cheeses and grains. Also CBI has a formal partnership with Sierra y Selva Exportadora, but in practice the collaboration is still limited.

Association of Exporters (ADEX)

ADEX is Peru's Association of Exporters, a private member organisation that aims to contribute to the sustainable decentralised development of Peruvian exports, fostering innovation, competitiveness and internationalisation of its member companies, with special emphasis on promoting the generation of added value, the development of competencies and skills and business with social and environmental responsibility. On behalf of its members, who are organised in sector committees, ADEX lobbies towards the Peruvian Government. It is active in all of the sectors covered by the programme, and it particularly strong in sectors like Natural Ingredients and Aquaculture.

ADEX also provides services to its members, including market information, and advice. It provides training through its training centres and foreign trade school, and carries out projects for international donors, including the Inter-American Development Bank. ADEX also organises the 'Expoalimentaria' each year in Lima. It is currently contracted by Promperu to deliver certain services that are part of Promperu's 'Ruta Exportadora'.

CBI and ADEX have collaborated in the past in many Export Coaching Programmes and training programmes; a BSOD programme was carried out at ADEX from 2008 to 2011. At present ADEX is partner in the CBIs Country Programme Peru.

PUM does not work closely with BSOs, but is in contact with ADEX with whom it coordinates the recruitment of new companies. For the new companies ADEX designs training packages to prepare companies for export and, above all, on issues of certification requirements.

Lima Chamber of Commerce (CCL)

The CCL is the largest Business Support Organisation (BSO) in Peru, with over 15,000 members and more than 300 events annually. The Lima Chamber of Commerce is a private member organisation. It promotes the development of free enterprise enforcing its legitimate rights, facilitating business opportunities, providing assistance and services and boosting their competitiveness.

It provides a number of services for its members. Foreign Trade-related services are provided by its Foreign Trade Centre (Centro de Comercio Exterior, or CCE). In recent years, the CCL has expanded its activities in the area of international trade. With funding from the AL-INVEST IV programme, it has raised its profile as a trade-related service provider for Peruvian SMEs with knowledge on and contacts in the European market. CCL works closely with Promperu and Produce.

Supported by CBI, CCL developed the 'Exporta a Europa' programme which offers a unique platform of personalised services, including training and technical assistance to develop successful and sustainable exports to the European market. In addition, CBI has trained and coached CCL staff to prepare them to coach the Peruvian companies participating in the programme. As part of the Al Invest programme CCL created various committees called "núcleos empresariales" that are especially active in the area of processed food.

1.2 Context of the sector

1.2.1 Market dynamics

The natural ingredients sector roughly covers the following products/ingredient groups: 1) grains, pulses and nuts, 2) functional ingredients, 3) fruit ingredients and 4) herbs & spices.

Grains, pulses and nuts

In the sector of grains, pulses and nuts the most important Peruvian export products are Brazil nut, quinoa, cowpea, and giant corn (Van Rijn, and Ton, 2014).

At the moment Peru dominates the quinoa supply to Europe, a role that they took over from Bolivia (CBI, 2016a). By expanding production from the highlands to the coastal regions, Peru became the world's number one grower of quinoa in the first five months of 2015, producing 12,400 tonnes to Bolivia's 9200 tonnes. However, the increase in supply has been met with a slowing growth of demand in the US and EU. The oversupply led to a drop in quinoa prices (under $4.50 per kg by April 2015 compared to a peak of over $6 per kg in January 2014) (Oxford Business Group, 2016).

Meanwhile, countries including the US and Finland have developed new strains of quinoa that can be grown in local conditions. To counter increased supply, Peruvian producers are looking to add value to the product. In August 2015 McDonalds in Germany launched a veggie burger made from Peruvian quinoa. A month later, Compañía Cervecera del Sur Del Perú launched a quinoa beer under its Cusqueña brand (Oxford Business Group, 2016).

Functional ingredients

In the sector of natural ingredients important high added value products for exports are cochinilla, tara, achiote, and maca. Many of these products are multi-purpose and can be used either as food ingredients, cosmetic or pharmaceutical ingredients. Peru exported $24m of maca in powdered form in 2014, up from $10m in 2013. Since 2003 the government has banned the export of unprocessed maca to prevent foreign buyers growing their own domestically. However, the government's ban on exporting maca seeds and plants has been flouted by Chinese buyers offering high prices, and the root is now being grown extensively in Yunnan province, albeit with mixed results (Oxford Business Group, 2016).

Also the EU demand for natural ingredients like processed camu camu, lucuma and physalis (particularly suitable for healthy and premium niches) is dynamically growing. Some of the processed exotic fruits from Peru can be categorised as 'superfood' ingredients due to their high content of vitamins, antioxidants and/or anticipated health value (Van Rijn and Ton, 2014).

Fruit ingredients

Processed exotic fruits (particularly passion fruit) are an important category in this sector. Many EU destinations are still unexplored by Peruvian exporters (The Netherlands is currently one of the main re-exporters). Considering the increased price levels of the last years exotic fruit juices and pulps offer enormous potential and possibilities for scaling up in the production to a more sustainable level.

Herbs & spices

Cocoa beans and cocoa paste recorded overall growth in 2016 , but suffered low profits due to record low global prices, to such an extent that there are concerns some former coca farmers who had traded coca for cacao, will now go back to producing illegal alternatives again, despite plans of the Government to promote more cocoa and coffee production to deter illicit plantings (CBI, 2016b) .

Constraints

Several constraints were identified by CBI in the natural ingredients (including grains and pulses) sectors:

- Lack of certified actors along the value chains
- Lack of certified food processing plants
- Lack of (organic) production
- Lack of entrepreneurial skills of exporting SMEs
- Lack of professionalism in grower groups / producer associations
- Lack of direct contact between importers and producers

- Lack of knowledge and skills on legal & private market access requirements Lack of EU/EFTA market knowledge Weak R&D on botanical ingredients There is strict EU novel food regulation for some Peruvian natural ingredients
- Limited knowledge on sustainable production practices
- Low productivity and profitability
- Lack of farm investment
- Lack of Processing facilities / investment in producing regions
- Lack of Export capacity and EU market knowledge
- Lack of R&D for product development

1.2.2 International Support programs

In section 1.3 we will focus on the support programs of CBI and PUM, while in this section we will briefly describe the characteristics of other international support programs focussing on the natural ingredients sector in Peru. Many by PUM and CBI beneficiaries have also received support from those donor programs. The activities of Swisscontact have a strong overlap with the CBI program. In 3.3.2 we will further elaborate on the overlap.

<u>SWISS CONTACT (Switzerland)</u>
Swisscontact is an independent foundation geared towards economic development for international cooperation. Swissontact is present in 34 countries and has around 1200 employees. Since 1959, it has promoted economic, social and environmental development.

Swisscontact has two programmes in Peru:

1. PAI: Programa de Apoyo al la Internacionalizacion
   The program seeks to support the "internationalisation" of the MSMEs in Peru, to identify and select companies with export potential and franchise products in international markets, and to strengthen their export capabilities. This program is operated by the ADEX - Swisscontact Consortium.
2. SIPPO: Programa Suizo para la Promocion de Importaciones
   The general objective of SIPPO is to integrate developing countries into the world market. The selective export promotion services provided by the Business Support Organisations (BSO) will strengthen the competitive position and facilitate access to markets and exports of companies in countries associated with Switzerland, the Union European and regional markets. CBI is regularly in contact with SIPPO.

<u>SECO (Switzerland)</u>
The Country Strategy of SECO (2017-2020) in Peru defines three objectives of the economic and trade policy measures:

1. SECO supports inclusive economic institutions and policies at national and subnational levels.
2. SECO’s measures strive towards an internationally competitive and responsible private sector generating more and better jobs.
3. SECO aims at fostering sustainable, climate-resilient urbanisation contributing to green growth.

<u>GIZ (Germany)</u>
GIZ has been working in Peru since 1975. It currently has 20 seconded and more than 250 national personnel, 30 development workers, including eight from the Civil Peace Service (CPS), 12 CIM experts and 15 returning experts in Peru (GIZ website).

On behalf of the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB), GIZ is implementing four projects in Peru with funding from Germany’s International Climate Initiative (IKI). They focus on:

1. Co-management of the Amazon region in Peru
2. Integrated financial management of climate risks in the agricultural sector
3. Public investment and climate change adaptation

4. Supporting Peru's tropical forest protection programme II.

IDH (The Netherlands)
IDH convenes companies, CSOs, governments and others in public-private partnerships. Together they drive the joint design, co-funding and prototyping of new economically viable approaches to realise green & inclusive growth at scale in commodity sectors and sourcing areas. IDH has a cocoa program in which Machu Picchu Foods is a private partner. They receive support from IDH in their work with farmers. Machu Picchu Foods is a company that also received support from PUM through their buyer (Negusa).

USAID (USA)
USAID/Peru's goal, as articulated in the Country Development Cooperation Strategy 2012-2016, is that Peru's stability and democracy are strengthened through increased social and economic inclusion and reductions in illicit coca cultivation and the illegal exploitation of natural resources (USAID, 2017).

USAID/Peru has prioritised three integrated Development Objectives (DOs):

1. Alternatives to illicit coca cultivation increased in targeted regions
2. Management and quality of public services improved in the Amazon Basin
3. Natural resources sustainably managed in the Amazon Basin and glacier highlands

To achieve the CDCS goal and Development Objectives, USAID/Peru prioritises the five Peruvian Amazon regions of San Martín, Ucayali, Amazonas, Loreto, and Madre de Dios. These regions have become hubs for many of Peru's illegal activities, including coca cultivation, narco-trafficking, and illegal logging and mining.

CAF Development Bank of Latin America (HQ: Caracas)
The Development Bank of Latin America promotes sustainable development and regional integration through the mobilisation of resources for the adequate provision of multiple financial services, with high added value, to customers in the public and private sectors of shareholders countries. It consists of 18 countries from Europe, Latin America and the Caribbean, as well as 14 private banks in the Andean region. It has offices in 19 countries." (CAF, 2015).

"The CAF has the following lines of action for the promotion of CSR (CAF, 2015):

- Latin American Programme on Carbon and Clean and Alternative Energies (PLAC+e).
- Cleaner Industries and Cities.
- Sustainable Development in Financial Institutions.
- Comprehensive Community development.
- Corporate Governance Programme
- Support to the ""Empresas en diálogo"" Project.
- Guidelines for an Andean Code of Corporate Governance".

1.2.3 Sectoral business support organisations

Within the general business support organisations support (see section 1.3) is provided to SMEs that are active in the natural ingredients sector. Within Promperu for example one person is dedicated to work on natural ingredients.

Apart from that there is a Peruvian Institute dedicated to work on the promotion of natural ingredients exclusivel; the Peruvian Institute for Natural Products (IPPN). However from the interviews it becomes clear that there is not a lot of contact with the other BSOs. Their strategic partner is BIONATIVA, and they cooperate with: CBI, GIZ, SIPPO, CCL, UNIDO, the Union for Ethical Biotrade, Biotrade Initiative, and IIAP (Research Institute for the Peruvian Amazone).

The Peruvian Institute for Natural Products (Instituto Peruano de Productos Naturales (IPPN))
The IPPN is a private non-profit association that promotes natural products and ingredients since 1999. The institution was established with the purpose of achieving the use and sustainable development of the

natural resources of biodiversity in Peru, mainly, those plants with nutritional properties and beneficial for health. In Peru, 1,100 plants have been identified, approximately, that have different properties and probably the largest amount discovered to date. Many of these plants have been traditionally used for years by the native communities of the Andes and the Peruvian Amazon (website IPPN).

1.3 Characteristics of PUM and CBI support in the country

1.3.1 Support programs and activities

Focus and methods of the case study

This case study report provides an analysis of the support provided by CBI and PUM to the Peruvian High Value Agricultural Products Sector. This sector includes: grains and pulses; functional ingredient; fruit ingredients; herbs and spices; ingredients for pharmaceuticals and cosmetics; and processed food. As the HVAP is a very large sector, we focused on those firms that are involved in the supply of raw materials or semi-processed products. We focus on this group of firms, rather than those involved in finished products, because it is in this sub-sector we expect more synergy between PUM and CBI support as well as a more direct link with the agricultural sector.

The analysis and conclusions written down in this report are based on three sources: 1) A quantitative analysis of support impact, 2) A qualitative analysis, based on in total 35 interviews with potentially supported SME, supported SMEs, local experts, BSOs, and other international support programmes (see annexes 1 and 2), and 3) An analysis of policy documents and other (scientific) literature.

CBI support: The Project Natural Ingredients for Food, Pharmaceuticals, Cosmetics & Processed Food

Within the CBI support we focus in this case study report on the CBI integrated country programme: The Project Natural Ingredients for Food, Pharmaceuticals, Cosmetics & Processed Food (part of the Integrated Country Programme Peru (2014-2018). CBI is currently supporting 48 companies in Peru under its Integrated Programme that started in 2014. Of these 48 companies 32 companies participate in the natural ingredients and processed food projects, and specialty coffee and cocoa derivatives projects. Initially 52 companies participated in the program, but four dropped out over the years of the program.

Prior to the start of the programme an extensive Value Chain Analysis (VCA) was conducted by CBI with the aim to identify potential sectors for support. The Natural Ingredients & Processed Food subsectors were selected for support for various reasons: 1) They are a prioritised sector of the Peruvian Government; 2) They have sufficient potential SME participants, and 3) The subsectors do not constitute unacceptable CSR-related image risks for CBI, 3) Sufficient global and European market opportunities exist for both sub-sectors as the demand for natural ingredients and processed food is still growing in Europe, and 4) The natural ingredients sector offers many opportunities for social impact and poverty alleviation, given the high number of marginalised farmers involved in this sector, as well as for value addition.

The CBI Project Natural Ingredients for Food, Pharmaceuticals and Cosmetics & Processed Food aims to support companies in their preparation and European market entry efforts and addressing constraints at company level as well as address sector specific bottlenecks.

In line with the integrated program approach, the business case of the CBI program distinguishes three levels at which support is provided to the HAVP sectors in Peru:

1. Micro/company level

   At micro/company level individual SMEs and producer groups are being supported through training, coaching, market research, co-financing of certifications, and participations in trade fair and/or other match-making activities in overcoming the identified bottlenecks to export to the European market. All of the assistance at micro-level is offered and promoted as part of the Ruta Exportadora 'programme' of PromPeru.

2. Meso level

At meso/sector level, CBI works with partner BSOs/sector organisations, as well as SMEs in overcoming bottlenecks that affect the entire sector, and cannot be solved at individual company level, such as sector branding.

3. Institutional level

At the institutional level, local programme partners are being strengthened to provide programme services to participating SMEs and local producer groups.

The support process starts with baseline business audits. Through these audits CBI has a better view on the level of development of these companies is. This is followed by several modules in which the participating SME's / Producer groups are able to develop and implement their export marketing plan, build their export capacity and are competent to enter the European market. The intended outcome of the CBI programme is an increase in exports of Natural Ingredients & Processed Food from Peru.

Selection criteria for the evaluation of CBI support

In our analysis we focus on CBI support provided to SMEs (micro-level) that work in natural ingredients for Food, Pharmaceuticals and Cosmetics & Processed Food, as well as Grains, Nuts and Pulses. The focus is less on specialty coffee & cacao & derivatives companies. We have interviewed two chocolate makers, and received some interesting feedback which is mentioned in this report. However we do not pretend to have captured a representative image of the whole programme in coffee and cocoa.

Table 1: selection criteria inclusion in PRIME case study for CBI supported firms

CBI Country Programme sectors	Within scope of PRIME	Outside scope of PRIME
Nat. Ingredients for Food, Cosmetics & Pharmaceutical Industry & Processed Food	Nat. Ingredients exported in bulk for European Food, Cosmetics & Pharmaceutical Industry	Processed Food exported as consumer packages
Specialty Coffee & Cacao & derivatives	Specialty Coffee and Cacao & derivatives excluding chocolate and roasted coffee as final (consumer) products	Chocolate and roasted coffee as final (consumer) products
Grains, Nuts & Pulses	When exported in bulk (for European industry)	When exported in final (consumer) packages

Source: provided by Erik Plaisier (CBI)

PUM support

PUM has conducted approximately 106 missions to firms in the "natural ingredients" sector in the period 2004 and 2017. The two PUM clusters relevant for this case study are: 1) agriculture and horticulture; and 2) food and beverage production. Each sector covers various subsectors. For agriculture and horticulture the two most relevant subsectors are horticulture, vegetables and fruits, green and glasshouses, and tropical products and plantations. The first cluster covers mostly horticultural products including tomatoes, cucumbers, peppers, eggplants, other fruit or salad crops. The second cluster focuses on raw materials for industrial processing such as more tropical products such as cocoa, coffee, tea, tobacco, oil palm or spices.

In these sectors PUM covers a broad range of expertise related to production, marketing, sales, quality control, packaging and distribution. As an example table 2 shows an overview of the outcomes of the missions as reported by the experts prior to the first missions. These outcomes give an idea of the focus of the missions. The three main focus areas in the agriculture and horticulture sector in that period were: 1) The development of new products and processes; 2) Improvement of quality of services; and 3) Reduction of raw cost materials. The three main focus areas in the food and beverage sector were: 1) Reduction of cost of production; 2) Innovation of existing products and processes; and 3) Reduction of the raw cost materials.

Table 2: reported outcomes PUM missions between 2013 and mid-2014

Mission focus	Agriculture and horticulture	Food and beverage
Developing new products & processes	52%	14%
Innovate existing products & processes	24%	43%
Improving the quality of services	52%	14%
Reducing cost of production	24%	57%
Reducing costs of raw materials	48%	43%
Increasing production	10%	14%
Making new investments	14%	14%
Increasing sales volume	5%	0%
Expanding the client base	38%	14%
Improving the organisation	38%	14%
Meeting standards	19%	0%
Other	19%	29%

PUM cooperates with relevant BSOs in the HVAP sector. In Peru, the country coordinator visits relevant BSOs twice a year to discuss potential collaboration between BSOs and PUM experts. For the Sierra and Selva Exportadora this has resulted in collaboration where PUM experts provide support to the participants of small dairy producers for cheese processing.

To get an insight into the quantity of support of PUM in the HVAP sector we reviewed the administrative data from PUM. We selected the two key sectors and dropped various subsectors that did not fit into the HVAP case study sector[1.] Consequently we scanned the remaining companies to decide whether or not they are part of the industry. The resulting selection indicates PUM has implemented a total of 106 missions to SMEs and coops in Peru in the period 2004 until June 2017 in the “natural ingredients” sector, excluding the missions between June 2014 and April 2015. M&E data indicates that three companies received more than one mission (2 or 3).

Table 3:Implemented missions PUM between 2004 and mid-2017 – ex June 2014 till April 2015

Sub sector	2004-2007	2008-2011	2012-2017	Total
Agriculture: arable farming	0	0	6	6
Agriculture: tropical products	0	0	4	4
Arable Farming	6	3	2	11
Bakery: Bread, Pastry & Confectionery	0	0	7	7

[1] 0108 Poultry farming, 0115 Horticulture - ornamental plants, 0204 Flour/bakeries, 0205 Meat processing / Slaughters, 0208 Tobacco, 0211 Starch & Starch products, 0306 Irrigation / Drainage

Beverages	2	0	2	4
Beverages Production	0	0	1	1
Food Processing	10	5	11	26
Horticulture Vegetables and Fruits	16	6	7	29
Horticulture: vegetables & fruits	0	0	1	1
Oils (Edible & Fats)	1	1	0	2
Pastry & Confectionery	0	1	1	2
Production process other crops	0	0	1	1
Tropical Products & Plantations	6	4	2	12
Grand Total	41	20	45	106

*M&E data between June 2014 and April 2015 is missing: please note this biases the number of mission between 2012 and 2017 downwards

Cooperation between PUM and CBI

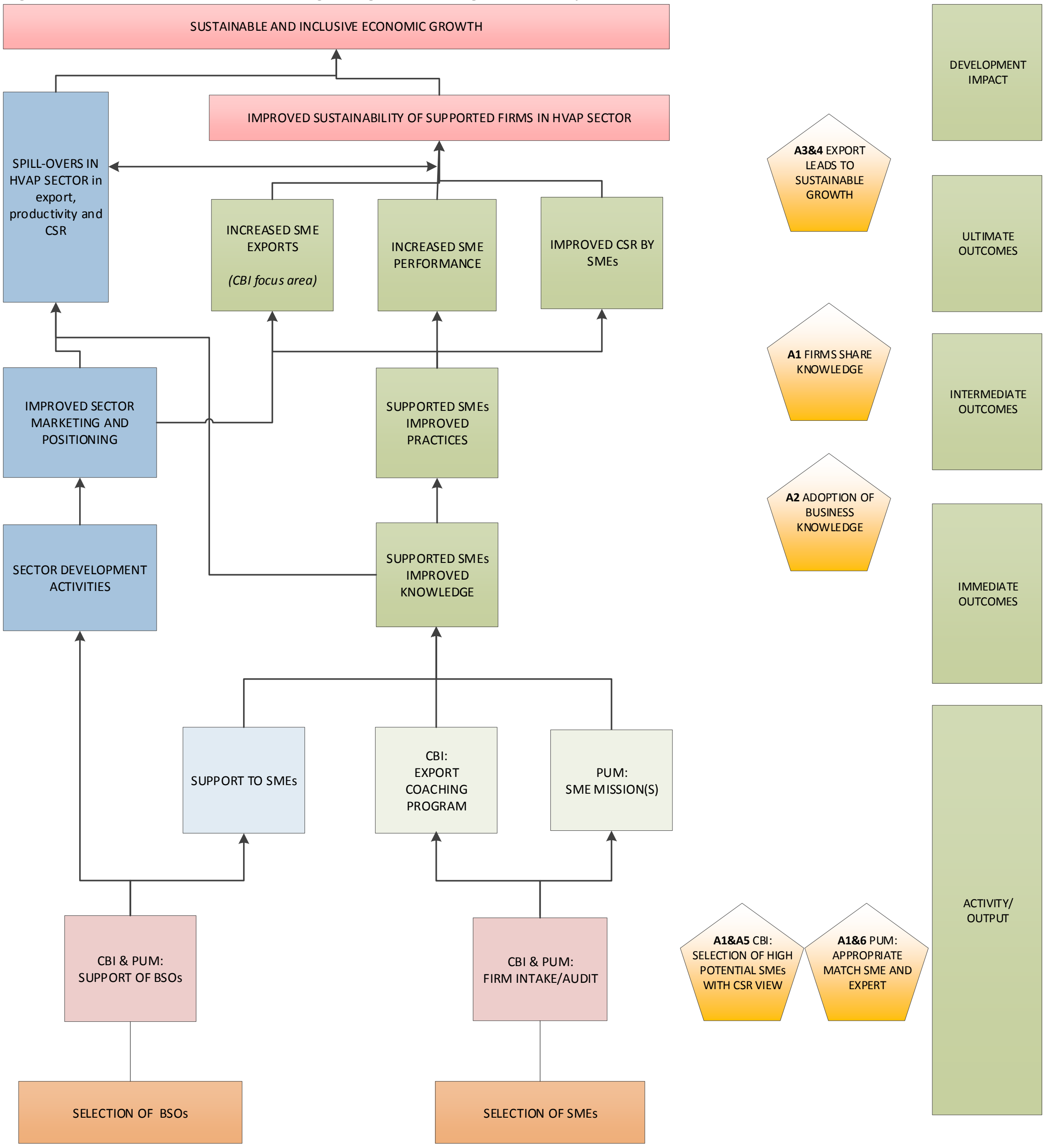
PUM and CBI have agreed to collaborate in the integrated country program in Peru. Based on interviews with various stakeholders there seems to be a good potential for cooperation between the two organisations in Peru. Collaboration materialises in three ways. First of all, both organisations provide a different type of support to those firms that are admitted for the new ECP; CBI focuses on issues directly related to export marketing and management, and PUM focuses on other business development issues. During the initial contacts with CBI clients, areas for PUM support were identified. Companies than applied for PUM support through formal application. Based on an interview with the country coordinator of Peru two other paths of collaboration were identified. PUM has provided a list of companies that have export potential. CBI approached these firms directly to promote their application to the new program. Finally, firms that do not fulfil CBI criteria are being directed to PUM. Often these companies might require some additional support before have sufficient export potential (van Rijn and Ton, 2014).

Based on the interviews it has become clear that indeed there is indeed information exchange between both organisations, but this could be further stimulated (see also 3.3.4). This becomes especially important in the future when PUM is strengthening its support in Peru, and moving more towards a programmatic and long term approach similar to that of CBI.

1.3.2 Intervention logic

To analyse the effects of CBI and PUM support in the HVAP sector, we refined the general intervention logic used in the PRIME research (changes in knowledge – changes in business practices – change in business performance – development impact), and identified more concrete outcomes and impact pathways (see Figure 1).

Figure 1: Overall intervention logic high-value agricultural products Peru



In the intervention logic, CBI and PUM support is summarised in two main pathways that ultimately contribute to more sustainable HVAP sector: (i) direct support to firms in the form of advisory services and trainings and (ii) indirect support via (semi) public agencies at the sector-level and private sector organisations, so-called “business support organisations” (BSOs).

CBI support focuses on an increased export competitiveness and sustainable growth

The CBI modules are expected to help firms in the development and implementation of a firm specific Export-Marketing Plan (EMP), which in turn should promote the firms capacity to export and implement CSR related practices. At the intermediate outcome level the CBI intervention is expected to result in an increase in the number of competent exporters in the HVAP sector. Combined with other ultimate outcomes this should result in increased (export) competiveness of the HVAP sector and ultimately sustainable and inclusive growth. It is important to note that such knowledge gains can also spill-over to non-supported firms.

The various types of support activities to BSOs by CBI, and a lesser extent from PUM, such as to national and regional chambers of commerce- eventually should result in improved marketing and positioning of the sector as a whole, including increased productivity, CSR and export of non-supported firms.

PUM support focuses on improved knowledge and business practices in general

PUM mostly provides one to one support to entrepreneurs in developing countries and emerging markets who need business advice and technical support with the aim to define new and sustainable pathways of growth. For the PUM support, the expert missions are expected to build capacity within the supported firms, through a diverse set of topics that can be addressed, such as technical issues, marketing, and management. Hence, a major part of PUM activities revolve around knowledge transfer to SMEs, regarding development of new products, marketing activities, business administration, financial management, staff training and general management (Ton and van Rijn, 2017). Such knowledge gains can also spill-over to non-supported firms.

In the intervention logic the PUM support is depicted in the pathway on the right side: from the expert support mission to an improved HVAP sector at the ultimate outcome level. Once a firm is linked to PUM, the beneficiary firm defines the needs or problems to be solved. The firm is than matched, by PUMs network of sector specialists in the Netherlands, to the appropriate expert. At the immediate outcome level this should result in the support of the right person in the firm at the right time, and by the right expert. The expected intermediate effect is improved business practices, such as the adoption of new marketing strategies or a more efficient production process.

1.3.3 Key assumptions

The arrows in the intervention logic assume causality or ‘effectiveness’. We explored the case study for information that help to reflect on the plausibility that these effects indeed took place, and what type of SMEs responded better than others, and why. In addition for the HVAP sector in Peru we identified five areas that deserve special attention, because they are considered to be key enablers (or barriers) of effectiveness for both CBI and PUM support:

1. A key assumption in the intervention logic is that the interventions contribute to improved business knowledge, this applies for both PUM and CBI. In addition, a potential side effect of CBI support (considering the fact that there are group activities) is that the support can contribute to more knowledge sharing between supported SMEs.
2. A second important key assumption is that more knowledge leads to improved practices at the level of SMEs. For the HVAP sector this means: standardisation of production processes to stimulate efficiency, and productivity, as well as to guarantee quality of the product; product innovations, and improved business administration and financial management. For CBI implementations of certifications required for the export market, and participation in international fairs, with the aim to expand export levels are also important support activities.
3. A third important assumption of CBI is that increased sustainable export leads to more sustainable economic growth in the Peruvian HAVP sectors. Since operations in the natural ingredients are closely linked to issues regarding environmental and social sustainability, and important research question is to what extent, and how, the CBI and PUM activities contributed to growing awareness of and adherence to standards of sustainable production. In addition for CBI it is valid to analyse whether or not the exports are contributing to more sustainable markets or communities.
4. A fourth assumption of CBI is related to export. In 2012 CBI changed from a product-oriented to an integrated, programme-oriented country approach based on a value chain analysis. CBI supports SMEs in their effort to connect to global value chains, via export. The underlying

assumption is that export enables growth. Therefore CBI supports firms that have the potential to start or already exporting.

5. A fifth key assumption for both CBI and PUM is that the right firms need to be selected in order to make support efficient. This applies for both CBI and PUM, although it is even more critical in PUM support as the expert has only one chance to make it right. Instead in CBI support many experts are involved over a long period of time. It is therefore especially crucial in PUM support to spend a sufficient amount of time on the selection process of supported SMEs. Although this might change in the future due to a shift in focus of PUM support towards a more programmatic and long term approach.

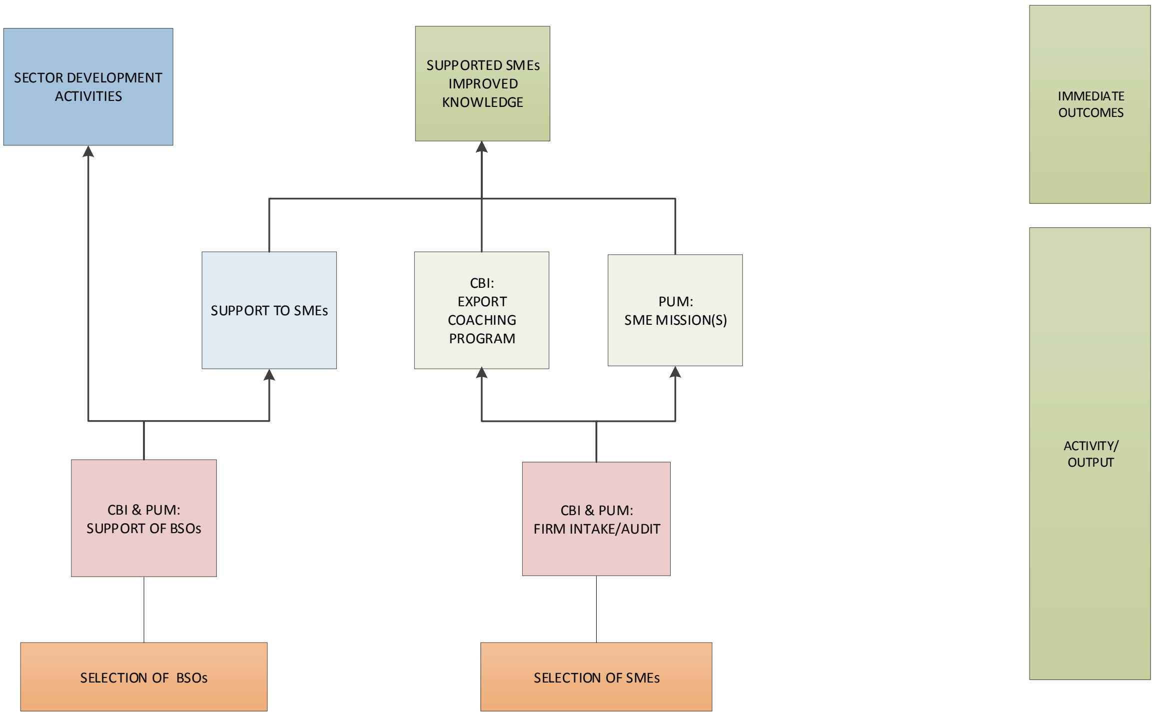
2 PART B: THE EFFECTS

2.1 Intended effects

2.1.1 Immediate outcomes

As explained in the previous chapter CBI and PUM support the HAVP sectors with different types of activities. However ultimately both CBI and PUM activities aim to have a direct influence on the knowledge outcomes of the companies that they support. Knowledge outcomes are outcomes that help firms understand which changes they will need to implement in order to improve their quality, management, productivity level or export activities (the latter only applies to CBI). The relation between the intervention and the impact is further explained in figure 2. The light blue-coloured boxes in the intervention logic indicate those activities where PUM and/or CBI have direct influence. These activities have direct effects in several outcome areas.

Figure 2: Intervention logic high-value agricultural products Peru: immediate outcomes



<u>CBI support</u>

An important part of the CBI support is the Export Marketing Plan (EMP), which in turn should promote the firms capacity to export and implement CSR related practices. Through export coaching and plenary training courses, CBI aims to ensure that the selected SMEs develop and implement the EMP. An important step in the coaching process is a market orientation mission to Europe, through which participating companies and BSOs are given the opportunity to get familiar with the European market, through visits to trade shows, and meetings with/presentations of European importers, distributors, retailers and experts.

Corresponding to the HAVP intervention logic, we conceptualised increased knowledge on export requirements as the main immediate outcome of CBI support. Overall SMEs are satisfied with the export coaching, although some SMEs have gained more knowledge than others (see section on barriers).

> "When we go to the workshops or trainings we get new ideas for product development."
>
> "They (CBI) guide us in which is the best fair for us. They know a lot about legal issues and food export. "
>
> "CBI gave us the opportunity to make contact with the world of exports; that has been their value to us.
> "The support has been complete; we have developed a business plan, and participated in trainings and fairs. All this within a framework of a strategic analysis that determines the number of international events we should attend as well as quantitative studies that allow us to establish where we should go as a company. On the trainings we have learned both commercial and productive issues. In terms of production, we have mainly worked on quality, product development, and also on the implementation of HACCP and BCR."
>
> "CBI showed us how important it is to look at the external market. We received support to develop and obtain the necessary certifications for different export markets. "They tell you: that's the way you want to go. We also value as very important that CBI has achieved regulation for Europe (novel food)."
>
> "I thought that we had to get in contact with for example, LOREAL, but with this experience (fair) we have learned that in reality these companies do not do research directly but instead outsource it to other companies that may not even be in the same country. So what we need is to contact the developers instead of the brands. Through the fair we gained that insight."
>
> "For each participation in a fair CBI has an approach on how to do it; how to approach clients, how to make the subsequent contact and how to carry out post-fair work. In addition to the previous work they also organise a follow-up during the event. They are attentive to know how many contacts we made during the day. After the fairs, CBI follows us, and this is constant."

<u>PUM Support</u>

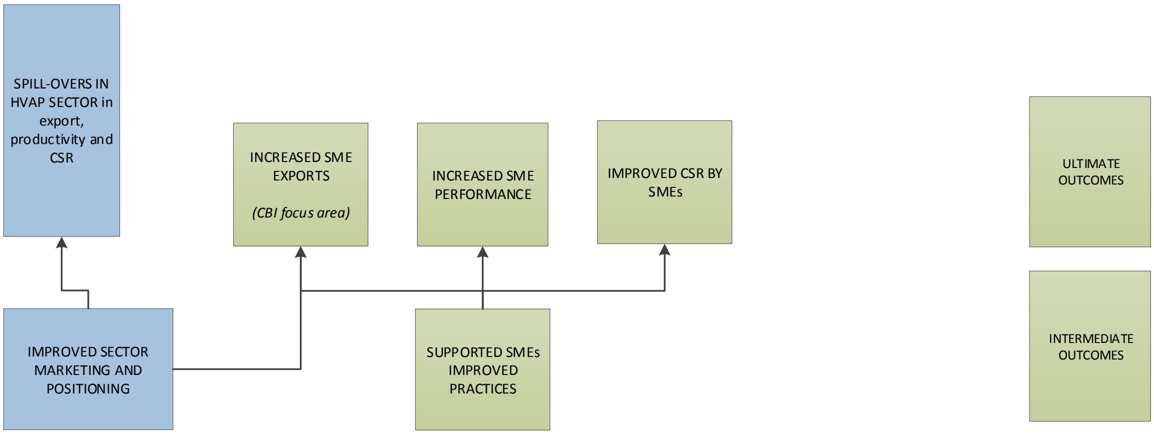
The mission of PUM experts aim to result in the support of the right person in the firm at the right time, and by the right expert. Corresponding to the HAVP intervention logic, we conceptualised increased knowledge as an important immediate outcome of PUM support, as the following quotes show:

> "The expert helped us a lot, because there are things that on a daily basis look normal, but that you have to repair, change. For example in issues of Quality Management. We got interested in the standardisation of processes, and for this we have worked on the following topics:
>
> • Temperature control of finished products
> • Advice to develop a new plant
> • Observe masses to change and make a new mixture"
>
> " The support was very useful. We found out that there were still a lot of things missing in the company, and we received a lot of recommendations."
>
> "PUM advised us to avoid using solvents to extract colour. That is what we are working on now. They also advised us to make compost of waste product."
>
> "PUM helped us with the technical process around organic."
>
> "We have received 3 experts for cheese and 2 for chocolate. The 3 countries (Holland, France and Switzerland) work under the same logic but the difference of PUM is its experience with practices.

> In the specific case of cheese, the beneficiaries of the assistance managed to obtain better products that have allowed them to improve their export capacities."

2.1.2 Intermediate outcomes (business practices)

Figure 3: Intervention logic high-value agricultural products Peru: intermediate outcomes



<u>CBI Support: Focussing on Implementation of certifications and standards</u>

At the intermediate outcome level the CBI intervention is expected to result in an increase in the number of competent exporters in the HVAP sector. An important step in this respect is the implementation of certifications and standards such as HACCP, BRC and organic. This has allowed SMEs to increase their export, as well as their customer portfolio:

> "CBI has made us recognise the value and need to have certification. Then we decided to go for it (BRC, HACCP) "
>
> "Because we are BRC certified we were able to take advantage of new markets, with larger companies, and larger volumes."
>
> "First there were no companies with BRC certification, now there are ten, and this is because of CBI."

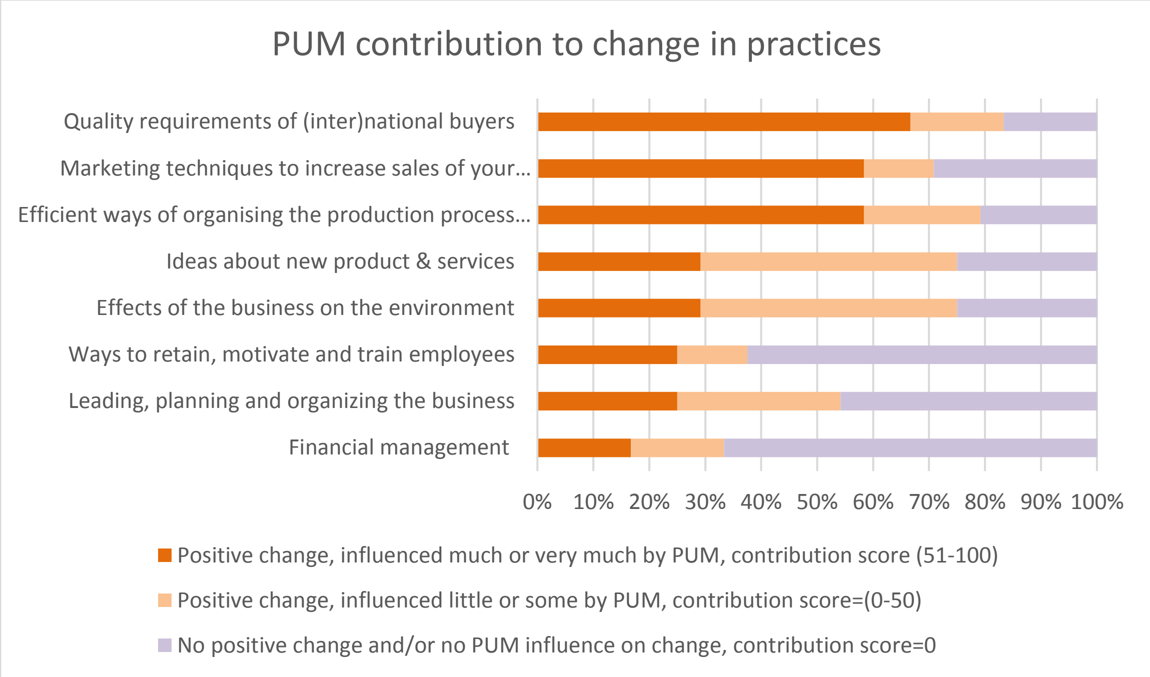
<u>PUM Support: Focussing on efficiency, innovation, and marketing</u>

For PUM the expected intermediate effect is improved business practices, such as the adoption of new marketing strategies or a more efficient production process.

Based on the yearly monitoring data from PUM supported firms we see PUM firms indicate to have improved practices compared to competitors. On average, 21% of businesses (24 firms[2]) report a positive change in practices which was influenced much or very much by PUM, and 69% of businesses report a positive change in practices which was influenced little or somewhat by PUM. This implies that 90% of PUM supported firms indicate a contribution to one or several areas of knowledge and practices.

[2] The information for contribution of PUM to change in knowledge and practice areas are from 3 different surveys conducted in 2015, 2016, 2017.

Figure 4: PUM contribution to change in business practices (n=24)



This was confirmed in conversations with SMEs supported by PUM experts. During those conversations we learned that overall those SMEs have improved their business practices. SMEs perceive the experts as very knowledgeable people with a lot of experience. Nevertheless, only a few SMEs request a second mission (see for more detail the section on barriers).

> "The support we got from PUM was interesting. We had the support of a senior expert in organisational development. This aspect is very important to us, because we are a family business, and the overlap between home and business is not easy to manage. The visit lasted 3-4 days, and it was very productive, because we received a lot of advices. Before all the family members did everything, but not anymore. Each of us now has its own responsibility within the family business."

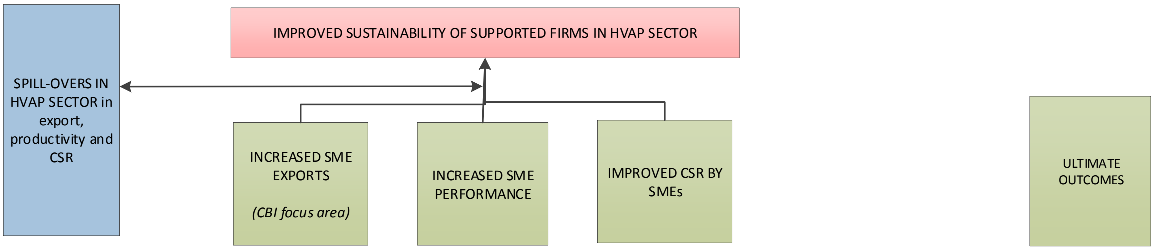
> "We received many advices such as the need to purchase a special machine, which is already in process. The machine would allow to have an area dedicated to organic products specifically. Ten years ago there was no compatibility or empathy between the team and the PUM specialist, but this time it has been very good. We expect another visit of the expert as soon as the new machine arrives."

> "The first visit involved the process of initiating the move to the new plant, which we are implementing in Huachipa, and to support in the areas of weighing, mixing and packing. Regarding the move the expert advised us to do it gradually, and that is how we have scheduled it."

> "The expert told me many things that I am now able to verify. For example, he told us that the pulp yielded 60%, while we only received about 50% of the processors. Now what we process directly we have been able to verify that it actually yields 60% ".

2.1.3 Ultimate outcomes (business performance)

Figure 5: Intervention logic high-value agricultural products Peru: ultimate outcomes

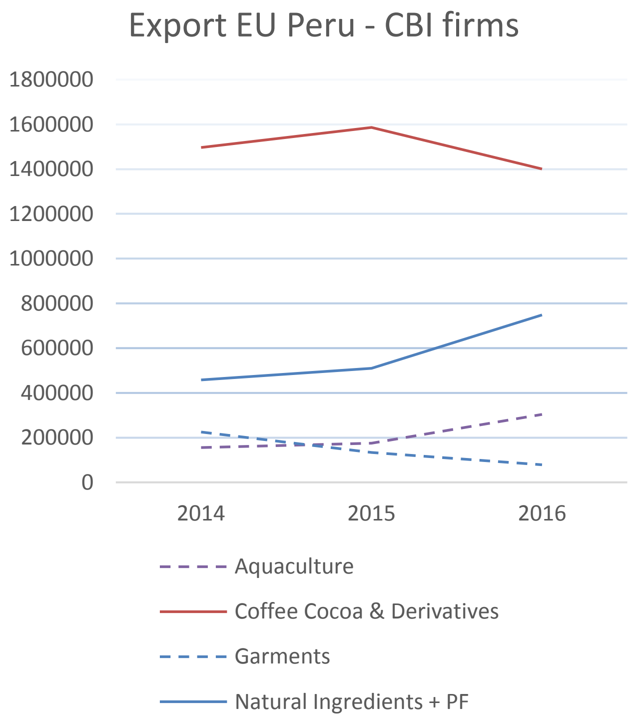


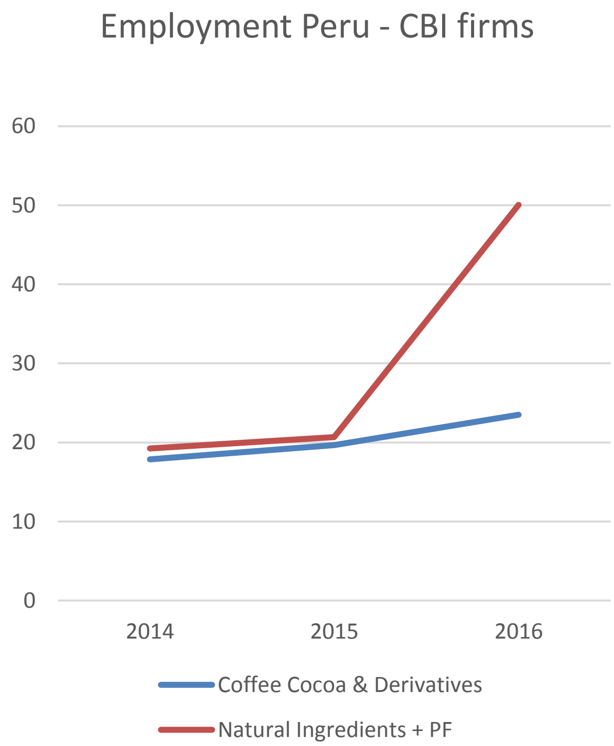
As an ultimate outcome the expectation is to have an increased (export) competiveness of the HVAP sector, and sustainable and inclusive growth, resulting in better business performance in terms of key outcomes including sales and exports, including exports to the EU. Since other factors also influence these outcomes, for example macro-economic fluctuations, these effects are expected to be less pronounced than the more direct effects on knowledge and practices (see Harms et al, 2017).

<u>CBI</u>

The CBI Project Natural Ingredients for Food, Pharmaceuticals and Cosmetics & Processed Food started in 2014. The first year mostly focused on promotion, company applications and the formalities with partners. The data presented below can thus be considered as baseline data.

Figure 6 & 7: Export EU & Employment CBI supported companies Peru in two sectors





The certified results from CBI supported firms show that:

- Export to EU as well as non EU countries from CBI supported companies overall is increasing, with an exception for the cocoa & derivatives sector to EU from 2015 to 2016.

- Employment is increasing sharply between 2015 and 2016 in the supported SMEs in the Natural Ingredients sectors. In the cocoa & derivatives sector direct employment is only increasing slightly.

However, there are large differences between SMEs. For example in 2016 export to non EU countries vary from 6300 to 4067000.

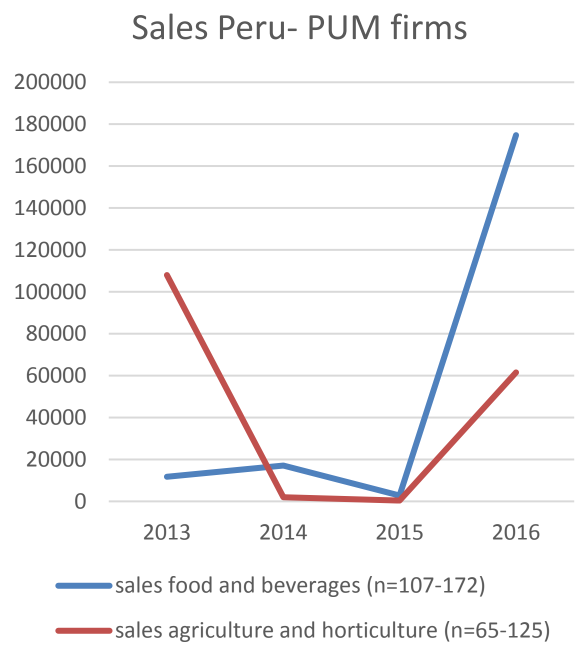
PUM

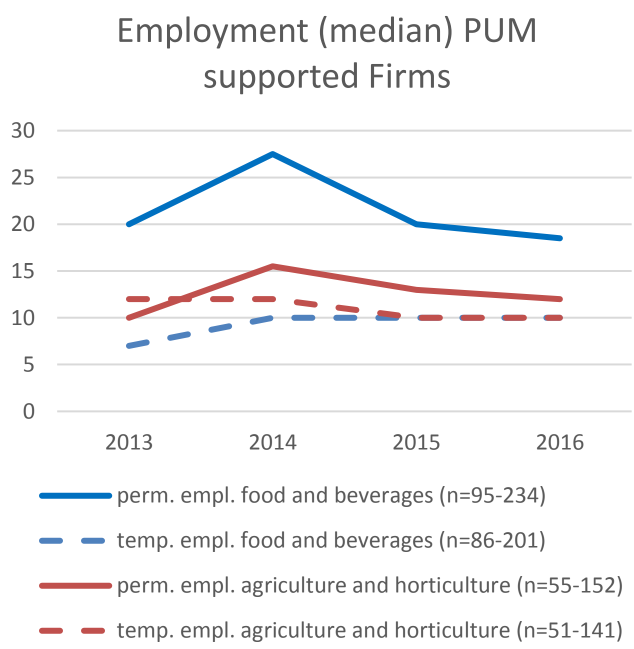
The data from PUM supported firms in figure 8 and 9 in the agriculture & horticulture and the beverages & food sector show that:

- Sales were relatively low in 2014 and 2015 but increased again in 2016 in both sectors. However, it should be noted that sales data ranges a lot between firms; for this reason we present median values.
- Despite increase sales levels permanent employment levels are slightly decreasing in 2016.; temporary employment remain the same. As for sales, we present median values rather than mean values.

The contribution of PUM support to employment is only foreseen at higher levels in the theory of change. PUM support is especially foreseen to contribute to SME performance by increasing production efficiency (also see Table 2) . This does not necessarily lead to more employment. However, increasing prediction or client based is also part of the mission; this may in the long run result in more employment or sales.

Figure 8&9: Sales & Employment – PUM supported companies Peru in two sectors



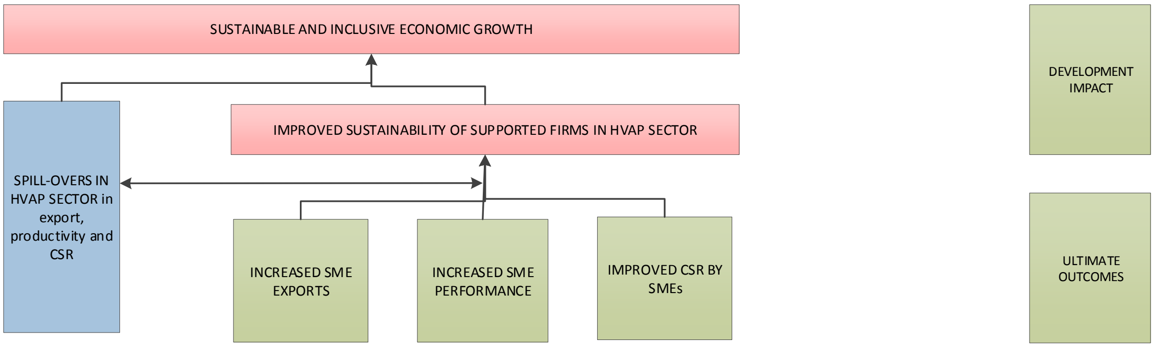


2.1.4 Economic spill-over effects and sustainability issues

Economic spill over

The various types of support to BSO of CBI, and a lesser extent from PUM, should eventually result in improved marketing and positioning of the sector as a whole, including increased productivity, CSR and export of non-supported firms.

Figure 9: Intervention logic high-value agricultural products Peru: development impact



Because both PUM and CBI work closely together with BSOs the chance for positive spill-over effects are quite high. SMEs that do not receive support in the export coaching program, can benefit from the improved service delivery of supported BSOs. Moreover, trainings organised by CBI experts are often open to non-participating SMEs as well.

Sustainability issues
As explained in the key assumptions, CBI and PUM activities aim to contribute to growing awareness of and adherence to standards of sustainable production. Therefore CBI provides courses on CSR, and also PUM focuses in its support on sustainability. For CBI this should lead to increased exports to markets in which high sustainability standards apply, such as the European market. From the data indeed it is shown that CBI support has led to increased awareness of CSR practices as well as implementation of sustainability certifications and standards. It was also explicitly mentioned in the interviews:

> "CBI has helped us to develop a good practices; in line with the Corporate Social Responsibility work that our company needs to have because the clients ask for the traceability of products. we also tell farmers that If the product is organic, it will have better acceptance in the market. We have trained 40 farmers with our own staff. "

The sustainability component was also mentioned in the PUM interviews, as the following quote for example shows:

> "PUM advises us to avoid the use of solvents to extract colour. In addition we start working on making compost of the seed waste."

There seems to be a big potential for indirect impact on sustainable primary production as well. However, this potential is not always reached and depends to a large extent on the supported company. There are a number of companies that directly work with farmers. The agricultural production is important, because it improves livelihoods of small communities in the Peruvian jungle. This importance is understood very well by several (supported) SMEs:::

> For example: the director of one SME did a great effort to support his (small to medium sized suppliers) who were already supplying onions, to shift to sweet paprika in the remaining months and to improve their production process in line with requirements of the EU. He could also have

> chosen to shift to large producers who already produce according to these requirements or produce himself. However, he considers these suppliers less reliable and as a less sustainable solutions (in terms of business, in terms of environment, in terms of potential to influence sustainable development of Peru). Many SMEs in the super foods sector need to make such a choice (whether or not to work with smaller/medium sized primary producers): those that do (and do so in a sustainable way) have the opportunity to make a difference. Those that don't might actually do the opposite: disturb the market and the environment by creating oversupply etc.

Another supported SME (CBI) is also aiming to improve agricultural production, and to help farmers switch from coca to other crops, as well as to give them a good living. They also work on deforestation. Both tasks are however difficult to accomplish, and they cannot do it alone.

> "We do a lot of field work with the farmers. We invest in farmer field schools, and in the certification of crops. The problem we face is that after so much work sometimes the collectors come and offer the farmers to buy their production and they do not wait or earn a few cents more, they sell them and leave our company unsupplied (besides collaborating with the speculation because then those intermediaries speculate with the price, because they have accumulated product. We commit ourselves to buy all the production at a fair price, because we want a good quality product. That's why we have field extension workers who guide them and teach them how to take care of their crops." We have a mechanism and strategy of relationship and work with farmers. We use grades from A to D, according to their behaviour and fidelity. "A are the committees or communities that have demonstrated production capacity of quality and fidelity with the company - and we can even lend them money to produce - and D are those who have just started activities with the company or who, due to bad behaviour, are leaving. "

CBI and PUM could further stimulate this development by including a criteria to target the right-minded companies. Or collaboration can be sought with other international programmes that focus on these issues, like GIZ or USAID.

2.2 Unintended effects

It is of course with good reasons that only a selected group of firms receive support. However, a downside of selective firm support is unfair competition. The increased knowledge and practices may give SMEs a competitive advantage to their competitors. In case the better of SMEs are selected (either because they have more potential or because they have access to the right networks), this might come at the cost of those SMEs that want support but are left aside (Ton and van Rijn, 2017). In the next chapter (3.1.1) we will see that this is indeed the case, also within the group of supported SMEs. The ones that respond well to the support receive more attention than the ones that have more difficulty implementing the advice and knowledge. Again from a program impact perspective this makes perfect sense: firms that are more proactive may have more chance to succeed in the European market. At the same time receiving more intensive support (for other reasons than being proactive, e.g. having the right connections) may also foster more proactive behaviour. It may be worthwhile to investigate these mechanisms in the future.

3 PART C: THE EVALUATION

3.1 Implementation efficiency

The potential to impact sustainable economic development depends on several factors that will be addressed in the following sections: 1) The selection of the supported SMEs; 2) Specific SME characteristics, and 3) Support modalities.

3.1.1 Selection of SMEs with development potential

In practice the selection processes is highly dependent on the cooperation with BSOs. In general SMEs have found out about the support programs of CBI and PUM through Promperu. However CBI also plays an important role in connecting SMEs to PUM. The SMEs supported by CBI differ from the ones supported by PUM. The latter focusses more on SMEs that do not necessarily aim to export.

<u>CBI selection</u>

CBI selects the companies based on an audit, a personal visit of an expert to the firm, identifying firms that are most likely to respond positively to the exposure to the EU market. Nevertheless, CBI has a huge variation in supported SMEs in terms of size, age, and vision. This is for a large part because those are the companies that have applied for support. CBI does not have access to a very large pool of companies that they can choose from (personal communication CBI employees, 2017). The variation has further increased throughout the programme. It seems that SMEs with young managers, active in training and workshop, and product development are developing more. This has a multiplier effect: the ones that are more actively involved in the support also receive more attention, and support, with the result that their development even more increases. Those SMEs are everyday in contact with CBI via WhatsApp, mail etc, and also feel more supported.

The SMEs that are less actively involved in the support, and in general are less positive about the support, have various reasons:

- Small companies with only two or three employees or employees that work part-time cannot afford to send one person to a workshop of two or three days or to an international fair. For them shorter workshops with the option to join online are better options
- Two SMEs choose not the join when their direct competitors are going to a fair or training (see below)
- Language (English), and complexity of the information can be other barriers. Two SMEs indicated they would like to receive more information beforehand so that they have time to process the info, and prepare themselves (“I was left in the dark.”)
- Another reason can be that companies feel the information is too basic for them (“The information is very basic, we already have eight your of export experience. We did not want to participate, but we were obliged to.”)
- One company does not join because they feel they are in the wrong category (“We participate in the program of Natural Ingredients and Super Foods, but for us it does not fit; we cannot participate ... that's why we want to participate in Food Ingredients").

There are also some critical notes from 5 respondents about the selection criteria:

> “CBI invites SMEs to fairs that directly work with producers, but also companies that buy from intermediaries. They do not make a distinction, but they should”.
>
> “CBI should ask for proof that the SMEs indeed buy from producers, and not from intermediaries.”

> "CBI should be stricter in selecting the companies it will support. They should not accept 'empresas maquiladoras', but it seems CBI is transferring to those know-how companies. But those companies hide many costs; they do not include the costs of depreciation of the machines, maintenance of equipment, etc. Those companies they do not have a plant, they do make up. Unlike us, we work with the farmer. They say: "We work with the farmer ... .. with products of origin .... ", but they do not even know the area (in which the production takes place)."

> "CBI should demand a few more things from companies, they could demand for example, that a company selects a person who is in charge of Foreign Trade in order to further develop our export potential."

> "It would be good if CBI would spend more time to select companies on their potential; that is, assess the investment capacity that the company has to be able to implement the recommendations of experts."

> "I have noticed that the companies that participate in the program are very different; it is not clear what is the mechanism or criteria by which they are chosen. There small and medium sized companies, but also very large companies that sell millions. This situation discourages smaller companies, because they feel that by receiving the same support the large companies obtain more advantages and eat the smaller ones."

PUM selection

In the case of PUM, the supported SMEs get personally invited by one of the five local PUM representatives to apply for support or SMEs can apply via the internet themselves. The local representative checks the application and sends it to the country and sector coordinators. They then check with which expert there is a potential match. The role of the local representative seems to be key not only in establishing a correct "match", but also in the kind of companies that are motivated to apply for support. The local representative generally works through BSO networks, such as ADEX and Sierra and Selva Exportadora.

There is some criticism from BSOs on the cooperation between the five local PUM representatives:

> "The five local representatives of PUM do not communicate amongst themselves."

There is also critique on the PUM selection of SMEs. In the evaluation done by PUM with PUM experts it was mentioned both in 2009 as well as in 2013 that some companies probably should not have been selected, because they were either too large, too small or too wealthy (Bekker and Van de Rijdt, 2013. Focusgroepen Pum experts). Also some respondents interviewed in 2017 feel there is a discrepancy in the selection criteria. On the one hand it is said that SMEs should have more than 10 employees, but according to some people this conflicts with the requirement of earning less than 10 million euro per year. It can happen that some SMEs received support that did not fulfil all requirements:

> "The support of PUM was beneficial to us when our plant only existed 6 months. At first the PUM contact said that we did not met the requirements for support, because we just started, we did not have the required number of employees, and our sales were not high enough. But we still applied, and we received the support."

However, the question is whether it is wise to provide support to SMEs that do not fulfil the requirements, as the chances for success are lower. The following example shows how one of the SMEs that did not fulfil the requirements was in the end not satisfied at all with the contact they had with the local representative, and neither with the support provided by the expert:

> “The local representative was rude, he wanted to end the phone call quickly, and stated that they did not fulfil the requirements.”

> “The expert suggested that it would be good if they would have a specialised machine / equipment. He said he had found the perfect machine, and he was going to send it to them. Although we knew it was a used machine, we were very happy because it would be free. However, afterwards, we had to complete a formality with customs, and in the end the costs seemed higher than it would have cost to acquire a machine directly. When we received the machine we were very disappointed, it was dirty and full with insects, and not suitable for food processing, while the expert insisted that it was in perfect condition. However it was not made from stainless steel, and it was rusty. On top of that it had a broken belt, and the connector to electricity is 5 points and there is no such receiver here.”

A possible solution to avoid this mismatch came from the local PUM representative. He suggests to differentiate the support packages into two: 1 for SMEs that sell below 10 million euro, and 1 for SMEs that sell more than 10 million euro.

3.1.2 Matching the SMEs with experts that provide additional knowledge

The match between the expert or the support package, and the SME is very important, because there is a wide variety of companies, sectors and problems. Both for CBI and PUM we can state that in most cases, the match seemed quite successful; meaning that the SME was satisfied with the knowledge and expertise the expert had to offer, and that there was a positive impact on behaviour. In other cases, like the one discussed in the previous section there was a clear mismatch. Most likely this was also the result of ignoring the selection criteria, and providing support to a SMEs that did not fulfil the criteria.

CBI experts are generally perceived as very professional: they have much knowledge about the sector.
Also for PUM it is generally agreed that PUM experts have much experience with companies with high quality standard in EU.

> “We think the PUM experts are very good, they understand the reality better than experts from other countries.”

> "His profile was made for us "

A downside however is that the PUM experts often lack some experience in Latin American in general, and do not speak Spanish. According to the local PUM expert this can be a reason for SMEs to wait for the application of a second mission, or it can be a reason for them to work with local experts, even when they have less expertise. A possible solution can be that PUM pays for the translator.

3.1.3 Follow-up of the initial support provided to the firms

<u>PUM follow up support</u>

The satisfaction of the SMEs with the provided follow up support varies largely between the supported SMEs. Based on the administrative data we see only three of supported SMEs have requested a second mission of the PUM expert. Obviously there are some barriers, which were mentioned in the previous section, like: costs that SMEs have to pay, and the lack of knowledge of Spanish language. Some recommendations can be given regarding the process of follow up support. One important aspect is that there is not a lot of information exchange between the local representative of PUM and the expert about the company. This limits his ability to work towards a second mission. Secondly the time frames do no not always match with what the SMEs need. Some SMEs would have preferred a short first visit, and then a longer second visit. This is because they mainly needed support with the actual implementation of the advice (for example when a machine arrives, or a new plant goes into production).

> “The support has been very good, but very short in time; especially when it is necessary to implement something and it takes time to observe the results. It takes time to develop. Then, it could be better to have a first short visit, and after a month or 45 days to return to do the evaluation of what is being implemented."

3.1.4 Specific SME characteristics

The characteristics and selection process of beneficiary firms

The communication to SMEs in order to make them interested in CBI and PUM support generally goes through a sector organisation, and in the case of PUM also through CBI. An important sector organisation for CBI is Promperu. CBI also collaborates with ADEX and CCL. PUM is in close contact with ADEX, CCL, and Sierra y Selva Exportadora. Logically, both CBI and PUM intend to select firms that are likely to respond positively to the support. However, there should be a balance between ‘supporting the stronger firms’ and ‘targeting the weaker firms.’ CBI, therefore, uses an explicit process to select the companies with highest export potential, which, in the HAVP sector, implies the firms that are expected to develop the high-quality products required by the European market. PUM uses a more implicit selection process. The local representative identifies the companies that can be expected to have an interest in expert advice and the resources to pay the related costs. PUM also focused on the weaker firms, and firms that not necessarily export.

Lack of credit is sometimes the reason why SMEs cannot grow or are unable to implement certain recommendations. Several SMEs mention that they want to go for certification, but that they first need more clients in order to be able to invest:

> "Until I do not sell more products, I cannot continue investing more in research, development and certification."

Financial contribution to the support

CBI
Beneficiaries pay 250 EUR commitment fee. In addition to that a contribution from the SMEs is requested when participating in international fairs. The CBI programme provides co-financing (70%, 60% and 50% of the stand costs for the 1st, 2nd and 3rd participation) to participants for European trade fairs.

PUM
PUM makes a distinction between the first visit, which is cheaper as the SME only has to arrange and pay for the board, lodging & local transport of the visiting expert, and the second mission for which the SME is asked to cover the same expenses as for the first mission, plus an additional €1000.-.
However for some micro SMEs it can happen that they are too small to afford another visit of the expert:

> “The expert did a very fine study on financial costing and we know that if we need the expert again we would have to pay approximately US $ 2,000, but we have not been able to do it yet.”

3.1.5 Specific support modalities, and different perceptions on those modalities

CBI support

At sector level CBI aims to implement a strategic conference module with a focus on developing a sector strategy to promote Peruvian natural ingredients in the European market. The idea of CBI is to directly involve importers in these modules (like export capacity building and market entry) in order to ensure the exporters are meeting the needs and the requirements of the market and allowing them to establish sustainable business contacts. This has indeed worked for some SMEs:

> “CBI advised us to go to the SIAL, and there we got new clients.”

Other SMEs do not see it that way, and have different expectations; they expect that CBI provides them with a list of buyers that they can contact:

> "I cannot say that I have a single client that I have obtained through CBI, I have obtained them all myself.”

However, this is not how CBI defines its support. CBI provides the tools, and SMEs need to look for new clients themselves. It is clear that certain SMEs lack the ability to do this. Those SMEs suffer from a lack of demand, and many times a lack of business contacts. They also do not see value in sending samples:

> “CBI gave us the opportunity to make contact with the world of exports; that has been their value to us. However, participating in fairs is not exporting, and thus far we have not been able to export. CBI ask us for samples, but they do not allow us to contact the market. The fairs have only served to sample the market.”
>
> “We have sent many samples, but we are not doing that anymore. It does not work like that, you will only get new clients through face to face contact, not via samples.”
>
> “The stand was very badly located. Then I walked through the fair, and could not locate any distributor.”
> “We suggest to rotate the stands at fairs, to make it more equal for everyone. At the next fair the company that was first at the back now should be at the front.”
>
> “We had a "bad experience" at the first fair. Perhaps CBI chose the wrong event. However we also recognise that there were general benefits of the participation, we had the opportunity to know how a fair is held.”

PUM support

Apart from the one to one support provided by PUM experts, PUM also aims to provide support to larger groups, such as producer organisations. It is clear that there is a need for support in that respect, but at the moment this group approach has some constraints due to a difference in expectations/needs. From the interviews it becomes clear that there is still a low level of organisational degree in Peru (cooperatives, producer organisations etc.), and this requires a different type of expertise (more focused on processes, and organisational development instead of content):

> “The expert came with all the enthusiasm and with a work plan, but he was very frustrated by the low interest of the members. The objective of the technical assistance was not fulfilled, also because:
> - The partners were very inexperienced
> - They were not clear about what they wanted to do.

- They were not prepared or organised
- One day each was not a good strategy, it was not very well organised.
- There was not much commitment, some of us did not even know what the expert was coming for and

"There are many small companies in Peru, and little cooperatives. Or once established, later they do not continue."

3.2 Barriers and enablers

2.2.1 Private sector collaboration

Private sector collaboration is still very limited in Peru. The natural ingredients sector in Peru consists of many small companies that constantly reinvent the wheel, they are competing heavily (due to low global prices). Many firms start when prices are high, and stop again when prices have gone down. There is also a lack of consolidation and organisation in producer organisations or cooperatives.

The SMEs try to overcome these difficulties on their own, for example by looking into adding value to their products. Other companies are looking for ways to vertically integrate the supply chain to make more money.

As a result there is little knowledge exchange taking place among the supported SMEs. There is a lot of competition, and distrust among the supported SMEs. This leads to discussion, disagreement, and companies pulling back. This negatively influences the support, and makes it less efficient than intended:

> "If we see that CBI also invited the larger company ("they make millions") for the fair, we do not go anymore, it does not make sense, they will eat us. This situation discourages smaller companies, because we both receive the same support, but the larger companies obtain more advantages and eat us."
>
> "I do not give information about machines etc. to the CBI contact, because I am afraid he will pass it on to our competitors."
>
> "If other companies come to you they only do that to copy your ideas, and products, so that they can take you out of the market".

2.2.2 Production and research limitations

Another important bottleneck in the natural ingredients sector in Peru is the agricultural production in the Andes. The supply of primary products is a true problem. Supply is insecure, not stable and quality difficult to guarantee. There are several reasons for this situation: 1) A lack of workers in the field due to competition for labourers with the coca plantations, which can afford higher wages; Lack of knowledge and education at farm level; The role of intermediaries who buy supply and subsequently speculate with the price; and a lack of commitment of farmers, also because the demand for natural ingredients is not stable, and there are few long term contracts. This situation prevents the potential win-win gains from being reached (i.e. better prices, more stability for producers and better quality, and a more stable supply for buyers).

Quality of the exported product, and R&D

The issue of lack of good research is often mentioned during the interviews. Both BSOs and SMEs mention the difficulty of getting access to good research (facilities). For SMEs it is too expensive and for BSOs difficult to access. This might be an area for CBI or PUM support/mediation, as for some supported firms the quality requirements abroad are the main bottleneck for further growth:

> "Increasingly, the level of control that the end customer makes (over the product) is very high. They no longer only see the percentage of colour, but the level of innocuity, that it does not have heavy metals."

> "The most difficult thing is to meet quality standards; the cosmetic industry is much more demanding (than the food industry) and that means that the productive processes also have to be improved; cosmetics is a more technical, and a much more formal industry."

3.3 Additionality

3.1.6 Additionality to the market of business training providers

There is a risk for unfair competition from CBI and PUM support for the local market by providing free support. The costs, and to a less extent the quality of the local experts are constraining factors, according to the BSOs:

> "There is also support in the Peruvian market. There are many barriers with external support such as language and culture. But support in Peru is sometimes too expensive for medium-sized companies. However, when the companies are bigger, most of them take advice from Peru."

> "PUM is much cheaper than local experts from Peru."

> "We received 3 experts for cheese and 2 for chocolate. The 3 countries (Holland, France and Switzerland) work under the same logic but the difference of PUM is its experience with practices. In the specific case of cheese, the beneficiaries of the assistance managed to obtain better products that have allowed them to improve their export capacities."

3.1.7 Complementarity to other supports provided to the SMEs

As mentioned in chapter one, there are several other active donor programs in the HAVP sector. These donor programs have also reached the CBI and PUM supported SMEs. At least 50% of interviewed SMEs (2^{nd} round) also received some kind of support from other donor organisations. Organisations mostly mentioned are: GIZ, Swisscontact (SIPPO), CAF (loans), IDH (loans), and USAID.

The SIPPO programme shows many similarities with the CBI programme, although they have a local office. SIPPO itself state they like the courses CBI provides to companies on how to prepare yourself for a fair. This is something SIPPO does not provide.

GIZ and USAID differ from the support provided by PUM and CBI in the sense that they are more focused on improving agricultural production. Many SMEs are positive about GIZ, because of the support they provided with agricultural production, and with novel food approval.

3.1.8 Synergy between PUM and CBI

Collaboration between PUM and CBI in the HVAP sector in Peru was expected to materialise in different ways. First of all, both organisations would provide a different type of support to those SMEs that were admitted for the new ECP; CBI would focus on issues directly related to export marketing and management and PUM would focus on other business development issues. From the interviewed SMEs three received support both from PUM and CBI. They perceive it as very complementary.

> “We learned about PUM through the support of the CBI. They recognised that there were technological flaws and therefore we needed specialised support. The two supports (CBI and PUM) have been complementary. With PUM we were able to address our more technical consultations and with CBI we work more on articulation to markets"

Another way in which CBI and PUM would collaborate was in sharing information on SMEs applicants. PUM provided a list of SMEs that have export potential. CBI could approach these SMEs directly to promote their application to the new program. Finally, SMEs that do not fulfil CBI criteria would be directed to PUM. Often these SMEs might require some additional support before have sufficient export potential. CBI has directed several companies towards PUM. However, it appears there is still some unused synergy:

> “PUM and CBI compete for the same companies. I would like to receive more information from CBI about all the companies they are working with/have visited.“ (local PUM representative)

4 PART D: CONCLUSIONS

In chapter 2 we identified five key assumptions related to the intervention logics of CBI and PUM. In this paragraph, we revisit these assumptions in the light of the insights gained from the interviews and data regarding the support in the Peruvian natural ingredients sector. The aim of this is to gain more understanding on how the assumptions shape or challenge the effectiveness of the support.

The support of CBI and PUM to SMEs generates positive changes in knowledge on business management and export skills

An important part of the intervention logic and key assumptions is that support provided by CBI and PUM leads to improved business knowledge, and that more knowledge in turn leads to improved practices at the level of SMEs. We believe there is enough evidence to state that indeed PUM and CBI support leads to more knowledge regarding market requirements, CSR, efficiency, and standardisation.

Translation of knowledge to changes in business practices is limited to only some SMEs

For CBI it is important that there is a match between support provided and beneficiaries that receive the support. The first selection is done at the gate: SMEs that are admitted to the program and SMEs that are not. However throughout the programme also a more implicit selection is taking place, at which firms that respond well to the support are given more attention than firms that have difficulty implementing the advices or participate in modules.

For PUM it is also crucial that there is a match between expert and SMEs, as the expert is the main person that provides the support. However, in reality this is difficult, and does not always happen. Therefore it makes sense to critically look at the selection, matching process, and incentives given to the local representative. The role of the local representative is crucial for successful PUM support, however more information exchange between the representatives, the expert and the supported SME is recommended.

A high level discussion on the focus of export is recommended

The mandate of CBI is to increase the export potential of supported SMEs, and subsequently firms with the most export potential receive more support. However it is worthwhile to discuss if this focus on export is indeed the right direction to stimulate sustainable growth. Inefficiencies in agricultural production, lack of organisation, and lack of quality seem to be more urgent barriers for sustainable growth than lack of export. Also export (to the EU) requires adherence to very high quality and sustainability standards, something that not all companies are able to achieve. In addition to that the question is whether these exporting SMEs are the most sustainable companies. A too strict focus on export can result in companies getting frustrated, and not growing at all (or even getting smaller), while they might have been able to perform well on the local market. Hence it makes sense to also see the national market as an area for growing potential. Lastly, there is a lot of competition on the export market, and as a result of the oversupply prices have dropped.

More pre-competitive knowledge sharing among supported SMEs could benefit SMEs

Also the sharing of knowledge between supported SMEs is a complicated issue. Due to the high competition between SMEs in Peru, and the lack of trust, companies seem less eager to share knowledge among themselves. Although knowledge sharing is important for companies, as it can help them further improving their business practice. In that sense it can make support more efficient. At the moment It seems there could be more attention for knowledge sharing in both CBI and PUM support. However, cooperation with competitors is something that requires effort, trust and risk taking. Often companies need to be helped/trained before they see the need for cooperating. This is something CBI and PUM can focus on in their support. This can be done in small groups of maximum 5 SMEs that discuss their needs, and interests and that focuses on differences and complementarities between them instead of on similarities.

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ANNEX 1: LIST OF COMPANIES INTERVIEWED

Name	Type of company/ organisation	Ingredients	Support/ Collaboration	Year
ADEX	BSO		CBI/PUM	Since 2011
Promperu	BSO		CBI	Since 2011
Sierra Exportadora	BSO		CBI/PUM	
Camera de Comercio de Lima (CCL)	BSO		CBI/PUM	
SIPPO	BSO		CBI	
Prolucuma	Producer Organisation		PUM	2013
PUM local representative			PUM	Since 2004
AMAZ Food SAC	SME	Sachainchi, coffee, quinoa	CBI/PUM	
AMAZON Health Products SAC	SME	Sachainchi, camu camu, quinoa	CBI	2014-2018
Algarrobos Organicos del Peru	SME	Goldenberry, camu camu, lucuma, quinoa, sachainchi, mesquite, purple corn, algorrobo and cocoa	CBI	2014-2018
Aicacolor	SME	Colorants, coffee, cocoa	CBI/PUM	PUM (2017) CBI 2014-2018
Agroindustria Guadalupe	SME	Asparagus, leek	CBI	<2014
Agroindustrias OSHO SAC	SME	Sachainchi, maca, quinoa, chia	CBI	2014-2018
Bartori	SME	Icecream wafers	PUM	2016
Comercializadora Cobertura NEGUSA SAC	SME	Chocolate	PUM	2008
Derivados Biotecnologicos	SME	Natural ingredients for cosmetics	CBI	2014-2018
Ecoinca SAC	SME	Quinoa, kiwicha, cacao y chía	CBI	2014-2018

Ekovida Organics SAC	SME	Cakes and cookies, gluten free	PUM	2016
Fairventura	CBI expert	Natural Ingredients Program	CBI	
Fructus Terrum	SME	Natural Ingredients	CBI/PUM	2005 (PUM)
Frutex	SME	Fruit concentrate, purple corn, camu camu, pineapple, passion fruit	CBI	Applicant 2014-2018, not selected
Glotech	SME	Maca, quinoa, quiwicha, chia, stevia, purple corn	CBI	Applicant 2014-2018, not selected
Insumos Mantarro	SME	Camu camu, maca	CBI	2014-2018
Unión de Negocios Cooperativas/ Mariposa Andina	SME	Fruit pulp, lucuma	PUM	2009
Nativa de los Andes	SME	Corn, quinoa, chia	CBI	Applicant 2014-2018, not selected
Romex	SME	Cocoa	PUM	2013
Selva Industrial	SME	Fruit pulp	CBI/PUM	2004 (PUM), <2004 (CI course, not ECP)
Shattell Chocolate	SME	Chocolate	CBI	2014-2018
Shuman Produce	SME	Onion	Potential	<2014
3QP	SME	Natural ingredients for cosmetics	CBI	<2014

ANNEX 2: SELECTION CRITERIA FOR SUPPORTED SMES

Box 1: CBI Selection criteria for supported SMEs at the start of the case study

CBI has the following selection criteria that a SMEs need to meet in order to qualify for participation (Ministry of Economic Affairs, 2014):

- At least 51% locally owned, or (co-) owners who reside in another developing country (excluding developing countries characterized as UMIC or higher)
- 25 to 500 employees;
- No joint venture with a company based in a country with a classification of UMIC or higher;
- Compliance or the willingness to comply with EU market requirements;
- No licensing commitments that prohibit or limit export possibilities of products to the EU competitive prices and sufficient production capacity;
- A management which is able to communicate in English;
- The willingness and capacity to invest in adaptations of, for instance, product assortment and production processes, if and as required by the European market.

Box 2: PUM Selection criteria for supported SMEs (https://www.pum.nl/criteria)

PUM focuses on micro SMEs that not necessarily export. They have ten criteria that companies have to fulfil in order to be eligible for support:

1. The company is privately owned (state-owned enterprises cannot apply).
2. Over 50% of ownership of the company is in local hands
3. The company needs to be operational for at least two years (we don’t accept starters).
4. The company has between 10 and 250 employees. For small companies the cost-benefit ratio of a project is leading, meaning that turnover should be (significantly) higher than mission costs.
5. Both the annual turnover and the balance sheet total should not exceed 10 million euros. The company is financially stable but has inadequate funds to afford (source) professional expertise from (external) commercial consultants or no local consultants are available. When the company is part of a holding or a group of companies these criteria are applicable to the holding or group.
6. The owner/entrepreneur must show enough commitment to be fully involved during the entire PUM project. This includes commitment during the expert visit(s), contact with the expert afterwards and the consecutive implementation of recommendations. Moreover, the owner/entrepreneur should be prepared to share data with PUM that is needed to measure the effectiveness of a mission.
7. The application form has to be filled in completely; special attention has to be given to the issue or problem that the PUM expert has to look into.
8. The company is prepared to apply with PUM’s price policy (please find it by clicking the button on the right side of this page: PUM price table and country list).
9. Organisations that are not SMEs (business support organisations, Chambers of Commerce etc.) can apply, but only if they have an enabling role for the private sector.
10. The company does not support child labour or forced labour, neither does it operate in either of the following sectors:
    - Weapons and ammunition
    - Radioactive materials
    - Gambling and casinos
    - Pornography and prostitution

ANNEX 3: CASE STUDY RESEARCH METHODOLOGY

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Case study design

This document outlines the methodology that is used for the qualitative PRIME case studies. These case studies are complementary to the quantitative analysis of the PUM and CBI monitoring and evaluation data Case studies examine processes in specific contexts in order to answer an overarching research question, analysing dynamics within each case and comparing across several cases. Our research question for the case studies is *'Why and how do CBI and PUM interventions work, for whom and under what conditions?'*, in order to provide guidance to CBI and PUM on the ways that they might use to improve the effectiveness of their support. This implies the need – *within case analysis* - to study different types of beneficiaries and non-beneficiaries (e.g. larger and smaller SMEs) of the support in a specific country and sector, and the need to study similar support under different conditions – *across case analysis*. Table illustrates the combination of a within and across case analysis.

Table A2. Case study analyses to answer the research question

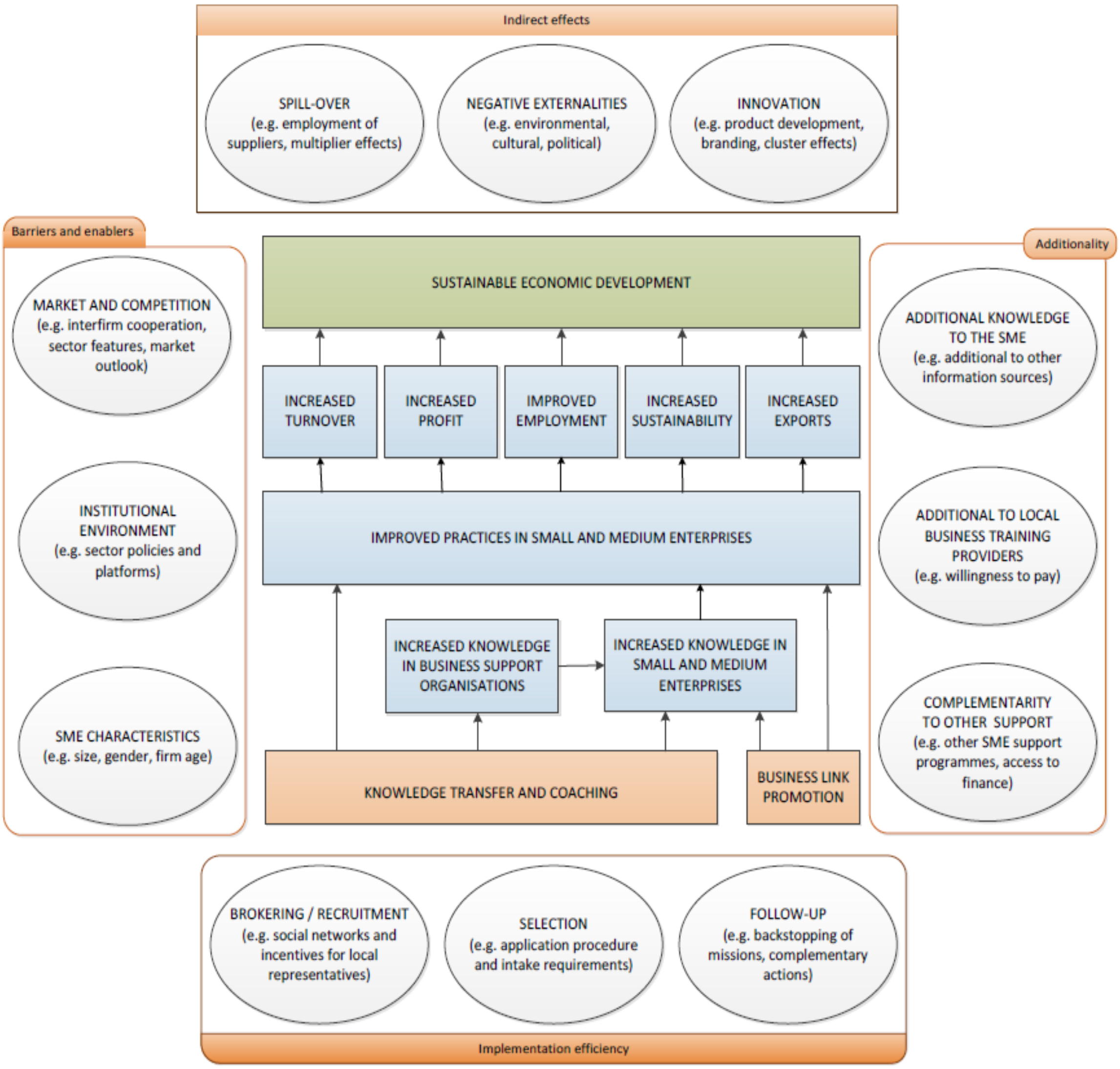
Research question	Research objects	Within-case analysis of enablers/barriers	Across-case analysis of enablers/barriers
What works?	Support modalities	Identify different support modalities used in sector	Compare similar support modalities across cases
For whom?	Beneficiaries	Differentiate effects between larger/smaller, younger/older firms etc	Differentiate effects between more/less developed countries
Under what conditions?	Sector & country	Identify effect of economic and political conditions	Cases cover various sectors, with different economics & political conditions
	Enablers & barriers	Identify plausible enablers and barriers of effectiveness	Compare enablers and barriers across cases
Policy recommendations: ***How can CBI and PUM improve the effectiveness of their support?***			

Case studies are conducted in six beneficiary countries, in the sector where CBI and PUM are both supporting SMEs. The case studies consist of in-depth and semi-structured interviews with client enterprises, non-client enterprises, BSO representatives, and (sector) experts in order to get a deeper understanding of the mechanisms that affect the effectiveness of CBI and PUM support.

Qualitative research methods

To gain insights into the effectiveness of CBI and PUM activities, we used qualitative research methods to identify the processes and dynamics that take place during and after the support trajectory and which influence the effectiveness of the support activities. Across the cases a similar framework is used to facilitate the research synthesis and help us understand why the programme works differently for the various sub-groups, with different characteristics or under different conditions (see Figure 1).

Figure A1. Conceptual framework for the research synthesis



Based on the desk research and first mission insights, the researchers sketched visually the intervention logic that is pursued in each sector/country, indicating the key assumptions of impact that seem to influence the effectiveness of the support. This framework (Figure 1) is used and refined in the second mission, which focused on main knowledge gaps about these key assumptions and plausible enablers and barriers. The main elements on which more in-depth information was needed related to the additionality of CBI and PUM compared with other public and private support modalities available in the sector and the implementation efficiency of CBI and PUM. Therefore, compared with the first missions, these second missions comprised more in-depth interviews with sector organisations and less attention to interviews with the supported firms. Another important area is to explore whether and how the support provided to certain SMEs might affect other SMEs, both negatively and positively. An example of a negative externality could be that a support obstructs or upholds other development initiatives in the sector. An example of a positive spill over would be that supported SMEs share the knowledge gained from the CBI and PUM support with non-participating SMEs in the region. The case studies provide an opportunity to identify these types of indirect effects by interviewing not only the supported firms but by also reflecting on the dynamics in the sector with unsupported firms or sector experts.

Selection of cases

To select the cases, CBI and PUM support portfolio was reviewed through the analysis of programme documents, the data on the supported firms in the last years, business case documents and personal interviews with CBI and PUM staff. This resulted in an overview of all countries involved in the support programmes and the number of firms enrolled or supported. The selection of the key sector in each country subject to PRIME research will be based on an assessment of the diversity in the support portfolio, the synergy between CBI and PUM activities, and logistical considerations. This helped especially to select sectors with CBI support that had also received some PUM experts in order to use PUM representatives and sector organisations to reflect on CBI support and CBI experts and supported sector organisations to reflect on PUM support.

To select the countries for the case study a random element was added to reduce an eventual bias in the selection of cases towards 'better' experiences of support, which would threaten the validity of the research findings. Therefore, the research team has used the randomized list of countries and selected cases with the explicit objective to maximize diversity. The following criteria have been used:

- Case-studies cover all continents.
- Case studies cover both the least developed, lower income, lower-middle income and upper-middle income countries.
- Case-studies cover different sectors, preferably where synergy of PUM and CBI can be expected, favouring the sectors in which CBI will concentrate resources in the future and considering the overlap in sector focus in past PUM support.

Based on these criteria, a proposal was made to the Programme Board in January 2014. Two countries were normatively selected because they received relatively high levels of support. Other countries were added by reviewing a ordered list based on the random number generated. One case, the Philippines, was replaced, after consultation with the Advisory Board, with Myanmar in order to increase the number of least developed countries.

In the following table we present the list of countries according to their random number and with an explanation of why the country is rejected or included in the list of six case-studies (selected cases are marked in dark green).

Table A3: Countries/sectors selected for case studies

Random number	Country	Region	Income category	Rationale
0.024	Indonesia	Asia	Lower middle	normative: high incidence of PUM and CBI
0.274	Bolivia	Latin-America	Lower middle	normative: high incidence of PUM and CBI.
0.976	Peru	Latin-America	Upper middle	no reason to reject
0.914	Colombia	Latin-America	Upper middle	rejection: LA with 2 cases already
0.856	Nepal	Asia	Least developed	rejection: few activities of CBI
0.839	Afghanistan	Asia	Least developed	rejected: no activities of PUM
0.839	Bangladesh	Asia	Least developed	no reason to reject. Selected under PRIME-ITC for additional quantitative research
0.810	Macedonia	EU	Upper middle	second stage rejection: Europe not preferred
0.805	Uganda	Africa	Least developed	no reason to reject
0.800	Bhutan	Asia	Least developed	rejected: few activities CBI and PUM
0.774	Philippines	Asia	Lower middle	rejected: preference for LDC
0.772	Myanmar	Asia	Least developed	rejection: no activities PUM
0.760	Kenya	Africa	Other low	likely to be selected under PRIME-ITC
0.748	Nicaragua	Latin-America	Least developed	likely replacement LA: least developed
0.711	Zambia	Africa	Least developed	no replacement: few activities CBI
0.693	Madagascar	Africa	Least developed	no replacement: few activities PUM
0.672	Ghana	Africa	Lower middle	likely replacement Africa: least developed
0.607	Tanzania	Africa	Least developed	no replacement: few activities CBI
0.600	Sri Lanka	Asia	Lower middle	possible replacement Asia: limited choice of sectors (tourism, IT)
0.577	Armenia	EU	Lower middle	likely replacement Europe
0.570	Vietnam	Asia	Lower middle	possible replacement in Asia: sector diversity

Research methods

For the first mission, we selected the SMEs for the qualitative interviews based on the potential to get additional insights about the processes, conditions and mechanisms that influence the effectiveness of CBI and PUM support. This implied a purposively selected sample of CBI and PUM supported firms, complemented with some firms supported through similar programmes, and some unsupported firms. The selection was based on a list with an overview of CBI and PUM participants in the last five years and the applicants to the new programmes starting in the selected countries. Next, to that, some non-participating companies were selected based on the available information provided before or during the mission by the business support organisations, and other experts working in the sector. In the first field mission, in 2015, the researchers interviewed between 16 organisations, including several BSO's and sector level organisations. In 2017, some of these were revisited as well as several new organisations that had not been previously interviewed.

After selection by the PRIME researchers, CBI and PUM experts, representatives, and country coordinators assist the researchers with making contact and planning meetings. In most cases, the interviews were held with the SME contact person who was involved in CBI and PUM activities, and in most cases, this was the manager or the director of the company. Regarding logistical considerations, and given the limited time available for each mission (5-10 days), it was important that supported firms, unsupported firms, and third parties in the respective sector, are somewhat clustered geographically.

Preparation for interviews in the first mission was done by reviewing the available information about the company using M&E data, intake form, exit form, the company website, Google searches, and interviews with CBI and PUM experts, etc. A semi-structured questionnaire (see Appendix 2) was used to indicate the themes of the interviews with the various stakeholders (CBI/PUM experts, SMEs, BSOs and experts). However, especially in interviews with the sector informants, the process and dynamics related to specific support activities were explored in more detail. Depth of information about specific enablers and barriers to effectiveness was preferred above breath of the interview. Each interview took about 1 hour.

It was made clear to respondents that the information was strictly used for research purposes and not shared with any third party without their explicit permission. Furthermore to avoid firms from feeling pressured to provide "desirable answers" or otherwise provide biased information, it was explicitly made clear that the PRIME researchers were *independent researchers*. For the same reason, when researchers or translators were needed for the interviews, the PRIME researchers worked with external parties that are not identified with CBI /PUM support activities.

Furthermore, interviews with the *non-supported* SMEs were included to gain a better understanding of the differences and similarities between the two groups, as well as provide a better understanding of why firms make the decision to participate or not participate in the programmes. By repeated visits to the firms (e.g. a first mission in 2014 and a second mission in 2015) we were able to identify firms that became more or less active in the programme during this period.

The interviews with the BSOs and other relevant stakeholders in the sectors were used to discuss how CBI and PUM support helped these organisations to improve their support to the SME sector. During the interviews with the BSOs we also discussed possibilities to get access to the data of BSOs on non-supported SMEs, explore with them the diversity/heterogeneity of SMEs in the sector, reflect on dynamics in the sector, and the additionality of CBI and PUM support in the sector.

For the second mission, the interviews focused on areas on which information was lacking according to the conceptual framework and corresponding case study report format. To prepare for the second mission, we reviewed the progress reports of activities of CBI and PUM, to identify the success/failures. CBI provided all the adjusted audits performed on the directly supported firm, and the ECP/BC progress report.

As discussed before, the first missions had yielded important insights but did not yet provide sufficient information about the enabling environment, synergy with other support, additionality to support, indirect effects on employment, to write the full report. Therefore the focus of the second mission will be more to these aspects. Based on a reflection on the intervention logic, we defined some key assumptions around which to organise the second mission the mission for the qualitative research, in view to collect information that answers for each assumption the question 'Why does it work (or not work) for whom under what conditions?

Analysis

All interviews were recorded and an interview report was written with a level of detail that made it possible to extract quotes of information. A report of one to three pages was made for each stakeholder interview. This report, especially in the second missions, followed the actual flow of the conversation and not necessarily the semi-structured interview format. The interviews and project documents were processed (coded) in the qualitative software application Atlas.ti with a coding scheme that corresponds with the headings of the conceptual framework and case study report.

After the first mission, all information concerning the case study was added to portfolio document with the rough information used for analysis and synthesis, and a short mission report of four to eight pages was written, discussed with CBI and PUM, and put on the website. This mission report provided information on basic sector level statistics and dynamics, and contained an analysis of the key observations. The first mission captured data around the general intervention logic of the support provided by CBI and PUM in each case-study. After the mission these initial intervention logics were refined, disaggregating it into specific impact pathways for specific groups and under different conditions. After the follow-up mission, all data collected was synthesised in a case study report.

ANNEX 4: MISSION PROGRAMMES

First mission 21-29 November 2014 – Fédes van Rijn

The first mission took place between November 21 and November 28 2015. For the first mission we have chosen to focus on Lima and surroundings. Most BSOs (or at least their headquarters) are located in Lima. Moreover, 40% of CBI supported SMEs, and almost 30% of PUM supported SMEs are based in Lima. Furthermore, it seems the majority of support from PUM outside Peru is towards the North, whereas the majority of support from CBI is towards the south. The different regions generally correspond to different product types. Yet, in Lima a mix of SMEs seems to be present.

We short listed all supported SMEs before the mission that fall within our sector of interest. Together with an experienced local consultant, the PRIME researcher conducted eight semi-structured interviews with SMEs that received support from PUM (five SMEs), CBI (three SMEs) or both (one SME) since 2005. SMEs were selected purposefully to capture the different views of PUM and CBI support during our first mission. In line with the revised case study methodology, we also talked to five SMEs that did not yet receive support but are in the process of applying for CBI support. In addition to these SMEs, we visited five BSOs and PUMs country coordinator.

Second mission 9-17 September 2017 – Birgit de Vos

The second mission took from place from September 9 till September 17, 2017. Also for the second mission we have chosen to focus on Lima and surroundings. Most BSOs (or at least their headquarters) are located in Lima. We interviewed 4 BSOs, and one other international support organisation. In addition 45% of CBI supported SMEs are based in Lima. PUM provides support all over the country, and provided support to 7 firms in Lima.

For the second mission we included the firms that had been receiving support from PUM as well as CBI since 2014. CBI supported nine firms (out of a total of 20 firms) in Lima under the natural ingredients and processed food project, and PUM supported 7 firms in Lima. We only selected firms that had missions status completed, ongoing or in execution. We tried to include one drop out, but this SME was not available for an interview.