



# **A Review of SIPPO's Value Creation: Final Report**

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## **Executive Summary**

FSG Social Impact Advisors, a social sector strategy consultancy and think-tank, was commissioned by SIPPO in May 2007 to review the value created by its programs, and the way it measures its performance against that value creation.

To do this, FSG conducted a series of interviews with the SIPPO team, advisory board, and selected partner companies, along with a thorough review of existing annual reports and evaluations. Analysis of this information yielded a number of key insights and recommendations:

- SIPPO creates value through five areas of activity
  - The way choices are made around these core activities strongly influences its overall development impact in both export and import countries.
- Partner companies are very consistent in identifying the value created by SIPPO
  - The combination of a long-term and programmatic approach, technical assistance, good professional standards, deep understanding of the Swiss and European markets, and contacts with buyers in those markets are identified as key strengths.
  - SIPPO's industry sector focus is key to the way value is created, not least because of the need to engage with the buying market.
- Analysis of SIPPO's impact through fourteen in-depth case studies implies very significant returns on program investment in both economic and socio-economic terms.
  - The case studies reported incremental export revenues of **5m** CHF against an overall support cost of **350k** CHF. This revenue increase triggered **0.9m** CHF in new local profit distribution, **2.9m** CHF additional local purchasing and helped to create nearly **3000** new jobs. Adjusted for Purchasing Power Parity (PPP)<sup>1</sup>, these figures are 24m in revenue, leading to 4.9m increased profit and 12.7m increased local purchasing. The surveyed companies also noted **9m** CHF in added value in Switzerland and the EU due to product mark-up.
  - Extrapolating these results to SIPPO overall provides a similarly impressive result, even after adjusting for the fact that case studies outperform the average partner company. In particular, the extrapolation for the 2006 export revenue results in **9m** CHF in new in-country profits, **28m** CHF in new local purchasing and a value-add from mark-ups to the Swiss/EU economies of around **85m** CHF. Total direct jobs supported could number as many as **3800**, and indirect jobs nearly **23000**. As these extrapolations are based on an annual result of the SIPPO program, they can be associated with the 2006 program costs of 8.5m CHF.
- Deeper analysis on the basis of country purchasing power, export experience and initial size of the partner company shows great potential to influence specific social and economic outcomes through more strategic partner company selection.
- A new performance dashboard for SIPPO is therefore proposed to better measure performance at the strategic level (against better formulated development objectives) and operational level (to increase value created towards such objectives).

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<sup>1</sup> See Text box on page 8

- The dashboard will facilitate SIPPO's governance structure in supporting and guiding the value creation process
  - For this to be meaningful, SIPPO should more clearly articulate its strategic direction.

## **Introduction**

### ***Background***

The Swiss Import Promotion Program (SIPPO) is an autonomous agency of the Swiss Government. It is mandated by the Swiss State Secretariat for Economic Affairs (SECO) to promote imports into Switzerland and the European Union by small and medium-sized business from selected developing and transitioning countries.

SIPPO does this by working directly with partner companies to help them better understand European and Swiss markets, build their export capability, and connect them with potential importers. It also works to strengthen the context for exporting in its focus countries, for example through establishing and strengthening trade associations, offering open-access training workshops, and developing real and virtual trading platforms. This contextual work is often undertaken in partnership with local actors such as export promotions agencies and business associations.

In May 2007, FSG Social Impact Advisors<sup>2</sup> were asked to conduct a review into the value created by the SIPPO program and the way this value is measured and communicated. The motivation of this review is threefold:

- To date, the value of the SIPPO program appears to have been under-estimated and under-communicated.
- SIPPO's position within overall Swiss economic development and trade promotion efforts is under review. To inform this, it is important to understand the value SIPPO has created in economic and socio-economic terms and the aspects of SIPPO's management and governance structure that make that possible.
- SIPPO could benefit from deeper insights into where its investments are creating more or less impact, and therefore help inform its on-going resource allocation decisions.

### ***Objectives of the Review***

In response to the above agenda, this review addresses four objectives:

- Develop a comprehensive perspective on the value created by SIPPO for Switzerland/EU, and for the focus countries.
- Demonstrate the value created so far through case examples that are documented based on a new approach to performance measurement
- Build on the case studies to recommend changes to current performance tracking, in order to better capture SIPPO's value moving forward
- Assess how SIPPO's governance structure contributes to the value created and should work with such performance tracking

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<sup>2</sup> FSG Social Impact Advisors are a social sector strategy consultancy and think-tank. Founded as Foundation Strategy Group in 1999 by Prof. Michael E. Porter of Harvard Business School and Mark Kramer of the Kennedy School of Government, the firm obtained 501(c)3 nonprofit status in 2006, and now counts more than 50 experienced strategy consultants across Europe and the U.S. This work was conducted by FSG's Geneva office.

## **How SIPPO Creates Value**

### ***Five Areas of Activity***

Currently, SIPPO characterises its activities as falling into one of three platforms: commercial and market information; training programs and matchmaking programs. Performance is measured and reported along broadly similar lines.

In this paper, we expand this characterisation to five basic areas of SIPPO activity, building on interviews with the SIPPO team, and a thorough review of past evaluations, annual reports and other literature. Three of these areas correlate closely to the above platforms:

- **Analysing trends and opportunities** around:
  - Demand for products (e.g. leather forecast)
  - Market access (e.g. information on standards)
  - Supply Conditions (e.g. South African ecotourism)
- **Building the export capability** of partner companies:
  - Training, coaching and endorsing them on product design, quality and standards and marketing/sales
  - Addressing sector-wide barriers by strengthening trade associations and developing new standards
- Introducing and **matching buyers and vendors** through:
  - Facilitating direct contact, for example by publishing directories or making individual introductions
  - Organising and marketing buying and selling missions
  - Organising attendance at trade fairs

These three areas are focused primarily on SIPPO's partners. They reflect the outputs of SIPPO programs – the analyses published, the training workshops held, the trade fairs attended, etc. However, SIPPO also achieves progress towards its mission through two other sets of more internally focused activities:

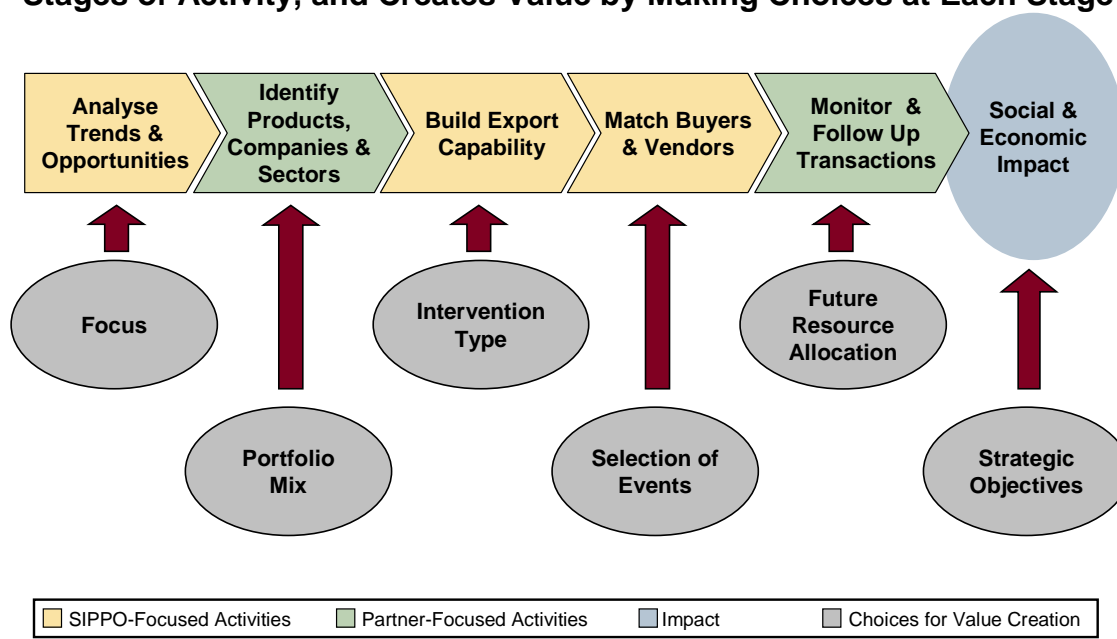
- **Identifying products, companies and sectors** through open workshops, referrals by other agencies and applications from companies. In particular, SIPPO assesses:
  - Potential of companies to export to Europe
  - Whether products meet demand
  - Opportunities to strengthen a sector through new/ improved export services or standards
- **Monitoring and following up transactions.** SIPPO uses this information to refine its strategy and improve its execution, for example:
  - The value of contracts signed by partner companies after matching events
  - The level of follow-up made by companies after particular transactions

While these areas receive somewhat less attention than the three partner-focused activities identified above, they are equally important to SIPPO's work and ability to fulfil its mission.

### Creating Value by Making Choices

Although there is some overlap between the five areas of activity, and their relevance to partners depends on individual circumstances, in general, they can be thought of as stages in a process that leads to social and economic impact in both the focus countries and in Switzerland/the EU. **SIPPO creates value by making specific choices at each stage, which move the program and individual partners closer to achieving impact.**

#### SIPPO Achieves Its Mission by Moving towards Impact through Specific Stages of Activity, and Creates Value by Making Choices at Each Stage



- By choosing the **focus** of analyses – their content, target audience and the medium of communication to be used – SIPPO can highlight product- and market-specific opportunities for companies exporting to Switzerland and the EU.
- SIPPO can select the partner companies that are most likely to benefit from the program, and to be able to support each other, by making choices about the **portfolio mix**:
  - Which sectors to focus on, and where
  - Balance of companies from countries with a higher versus lower purchasing power parity (PPP) index<sup>3</sup>
  - Balance of companies by number of employees when they join the program

<sup>3</sup> Published in the World Bank's World Development Indicators

- Proportion of companies to accept that have had prior experience of exporting to Switzerland or the EU
- SIPPO can strengthen the capability of a product, partner company or industry sector to compete in European and Swiss markets by choosing the most appropriate **intervention type**:
  - Identifying the right content or subject area, e.g. packaging, product traceability or trade fair preparation
  - Choosing the appropriate delivery method, e.g. providing individual expert consulting, holding a workshop or publishing and distributing a manual
  - Deciding whether to implement existing tools, or develop new ones such as new organic or fair trade standards
  - Deciding whether the intervention should be focused on one particular company or group of companies (for example, where the content needs to be highly tailored to individual participants), or open-access (for example, when the content is fairly generic, and many other companies could benefit from taking part for limited additional cost)
- By making the right **selection of events** to match buyers with vendors, SIPPO can leverage its brand, connections and experience to the fullest extent to facilitate new connections and access to new suppliers or markets. To do this, SIPPO needs to consider:
  - The **type** of event – whether attendance at a specialist trade fair, participating in a buying or selling mission, or making a direct contact would be most appropriate for the partner company.
  - The **timing** – whether the partner is ready to participate, how different matching events should be sequenced, etc.
  - The **market focus** of the event – for example, whether to select an event that is focused on one specific sector, or is more generalist; or one that targets a single country market, rather than being Europe-wide.
- SIPPO can use information from its monitoring and follow-up activities to refine the effectiveness of different activities, and further increase its potential for value creation. The key choice here is around **future resource allocation**.
- Lastly, SIPPO can steer such value creation by choosing **strategic objectives** for social and economic impact – for example by deciding whether it is more important to promote economic development in emerging countries or generate additional value for the Swiss and European economies. In doing so, SIPPO would be able to iteratively refine its understanding of what the ‘correct’ choices should be at each of the other stages. This is an opportunity for future improvement of the SIPPO program, as will be discussed below

A central component of the value created is the development of expertise by sectors rather than geographies. The stages of activity which contribute to SIPPO social and economic impact rely on a strong knowledge of demand markets and buyers, regardless of the origin of products and services.

## **Analysis of Value Created**

### ***Understanding SIPPO's Value Creation through Case Studies***

In order to understand the success SIPPO has already had in creating value, fourteen case studies were identified by the project managers for in-depth analysis. They represent a balanced sample in terms of size, country PPP index and prior experience of exporting to Switzerland or the EU. The weighting by sector also approximately reflects the distribution of bid volumes (value of orders placed with partner companies) in 2006.

The case studies were deliberately selected as 'successful' examples. It is easier to identify the contributory factors to value creation with positive case studies than to try to analyse why something did not work.

In-depth interviews were conducted with a representative of each company, supplemented by knowledge from the project managers. The interviews consisted of two distinct parts. Firstly, companies were asked to identify what they found valuable about each area of SIPPO activity that they had experienced. Secondly, they were asked to provide a snapshot of key economic and socio-economic data for the year before they joined the SIPPO program and the year after they left (or, if they were still participating, for the last completed financial year), in order to quantify the impact of the SIPPO program. These two layers of qualitative and then quantitative analyses are presented below.

### ***Perceptions of Partner Companies***

The SIPPO program was widely praised by interviewees as being effective, timely and professional. Comments such as "*Without the help of SIPPO, these partnerships would have been nearly impossible,*" "*SIPPO came at just the right time*" and "*SIPPO are very professional*" were typical – one company neatly summed up the prevailing view that "*SIPPO's help was technical, practical and got results.*"

Companies leverage SIPPO's **in-depth, sector-specific knowledge** of European and Swiss markets and demand trends. They recognize the "*need to understand the market demand and requirements*", and one company remarked that, "*Before SIPPO, we didn't know how the European market worked. Now, France is our best customer.*" In particular, SIPPO has helped some to re-focus on more profitable market niches: "*It was important to find a profitable market,*" reported one partner company, "*in the beginning we had not identified our market.*"

Partner companies also identify a '**halo effect**' from participating in the program and being associated with the SIPPO name. Simply being included is seen as a mark of quality that "*helps attract potential customers*" and reassures those customers "*that we are well organized.*"

The **length, technical focus and access to expertise** offered by the SIPPO program gives companies the space and resources to grow and develop. Training on quality and standards is

described as “*very important, “useful, and “integral,”*” and interviewees hailed the “*great input*” on trade fair preparation, which many had “*no experience of*” and “*no idea about*” – the ‘Contacts to Contracts’ handbook was singled out by several as “*an incredible book*” that is “*more useful than a marketing textbook.*” Trade fairs themselves are also seen as “*very instructive*” – opportunities to “*learn through participation*” and “*get a sense of the market and of competition.*”

Lastly, SIPPO’s credibility and extensive **network** of contacts in Europe was underlined as a key strength; interviewees value SIPPO’s ability to “*create new marketing opportunities*” for them. Specialist trade fairs are commonly viewed as the best way to do this, as it allows companies to “*directly meet [their] buyers*” and “*make clear pitches to specific customers.*”

### **Purchasing Power Parity: How Much Does 1 Franc Buy?**

The cost of goods and services can vary considerably from one country to another. If income in two different countries are compared using only market exchange rates, it can be misleading, one unit of a given currency may go a lot further in one location than the other. Adjusting for **Purchasing Power Parity** (PPP) is a way to take these differences into account. It is particularly relevant when considering the impact of economic development initiatives in developing and transitioning countries – 1 franc buys rather more in Burkina Faso than in Bern.

In this report, all actual and extrapolated indicators of economic impact have been adjusted for PPP, in order to more accurately illustrate the effect they represent ‘on the ground’. The only exception to this is calculation of the impact on the Swiss and European economies – since this is felt in Switzerland and the EU, and not in SIPPO’s program countries.

Conversion factors have been drawn from the World Bank’s World Development Indicators 2006; these are based on the U.S. Dollar, so a two-step calculation is used to adjust for parity with the Swiss Franc.

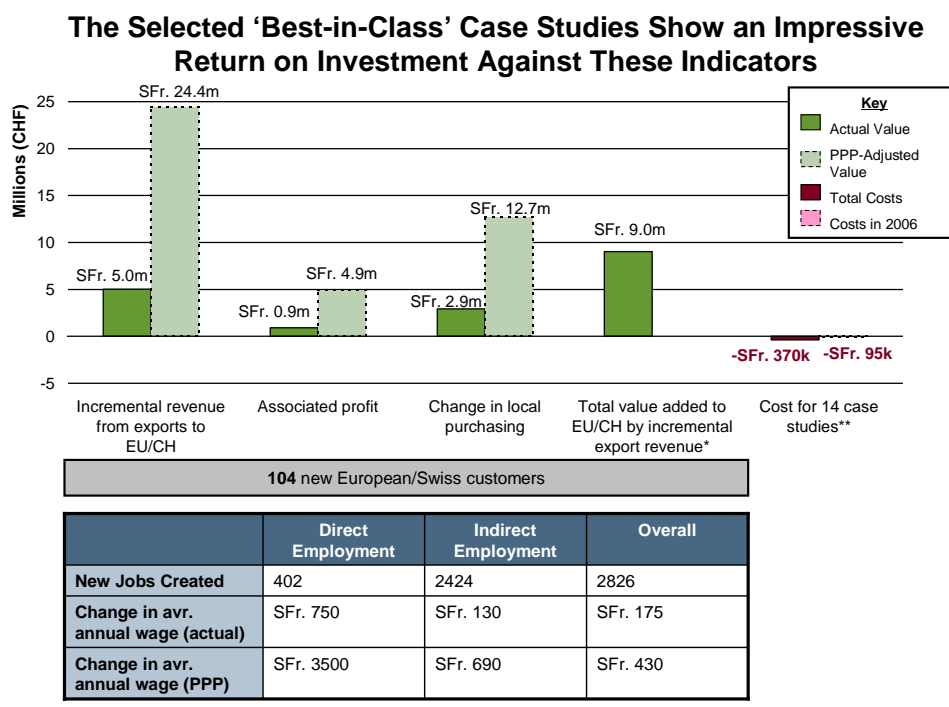
### ***Social & Economic Impact of the Case Studies***

In order to understand the social and economic impact of each case study that returned data, we used the figures collected through the interviews to calculate their performance against select indicators (see table on the next page).

<b>Indicator</b>	<b>Method of Calculation<sup>4</sup></b>	<b>Reason for Measuring</b>
Incremental revenue from exports to EU/CH	Difference between export revenue to EU/CH in 2006 and the year before the company joined the SIPPO program (on average, a period of 4 years)	Shows change in volume of EU/CH export business, contributed to by SIPPO
Associated profit	Earning before interest and taxes to partner company from incremental revenue from exports to EU/CH	Shows change in profits of partner company associated with SIPPO's contribution (implies increased distribution to owners and to government through taxation)
Change in local purchasing	Difference between total company spend on local purchasing in 2006 and the year before the company joined the SIPPO program	Illustrates knock-on effect of SIPPO program in the local economy, beyond profit and direct employment costs
Total value added to EU/CH economies by incremental revenue from exports to EU/CH	Estimated mark-up on incremental revenue from exports to EU/CH (where known)	Shows part of the value of the SIPPO program to EU/CH economies (does not capture value to consumer from lower prices or increased choice)
# new EU/CH customers	Difference between number of EU/CH customers in 2006 and the year before the company joined the SIPPO program	Illustrates diversification of export customer base and implies some level of sustainability for new revenues achieved
Direct employment	# full-time equivalent employees in 2006, less equivalent # in the year before company joined the SIPPO program	Illustrates impact of SIPPO program on company employees, families and local communities
Indirect employment	# new jobs fully dependent on the company, though not part of the payroll (e.g. subcontractors, artisanal fishermen, herb collectors, etc.). Calculation as above.	
Change in average annual wage (direct employment)	2006 vs. year before joining SIPPO program	
Change in average annual wage (indirect employment)	2006 vs. year before joining SIPPO program	

<sup>4</sup> One case study provided figures for 2001 and 2005; the values for 2006 were assumed unchanged.

Comparing the overall impact for the case studies against SIPPO's estimated cost for putting through the program, shows an excellent return on investment; even more so when this return has been adjusted for PPP to more accurately reflect its effect on the exporting countries.<sup>5</sup>



Of course, it is not possible to precisely attribute a portion of these results to SIPPO's investment. All the same, based on the interviews, it seems likely that SIPPO's role in the companies' improved performance was pivotal. Moreover, this model is likely to under-, rather than over-estimate the value created; it does not take into account any revenue which was generated before the end of the program, nor does it incorporate the future value of the results achieved.

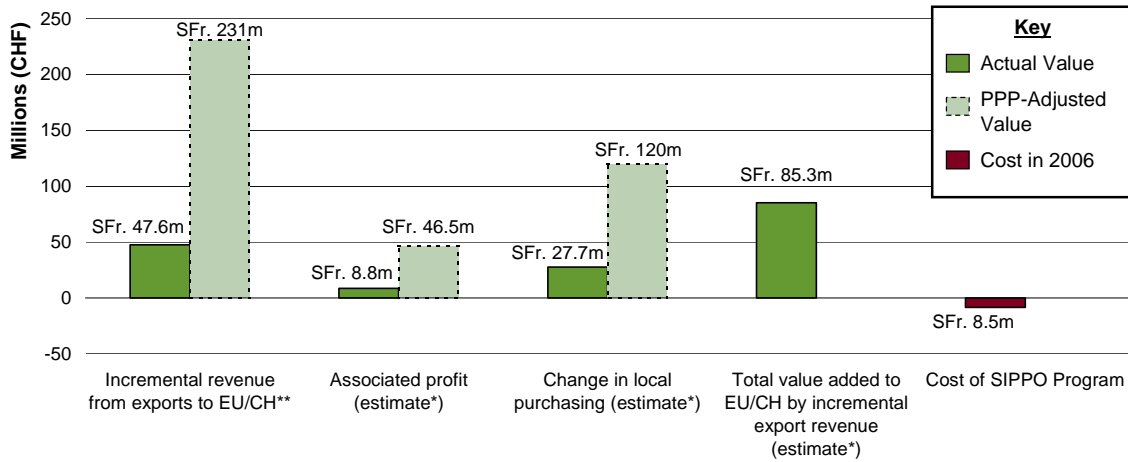
### Estimating Overall Impact

An estimate of the overall impact of the SIPPO program was calculated by extrapolating the results for the 14 case studies that returned data, based on the ratio of incremental export revenue<sup>6</sup>. This extrapolation method (as opposed to multiplying the average case study result by the total number of partner companies), takes into account the fact that the selected case studies are 'best-in-class', and are therefore much more successful than the typical SIPPO partner company.

<sup>5</sup> Value added in EU/CH is not adjusted for PPP, as it does not affect purchasing power in program countries

<sup>6</sup> Results for the 14 case studies were multiplied by the ratio of actual incremental revenue (actual incremental revenue for 522 partner companies ÷ actual incremental revenue for 14 case studies). The overall actual incremental revenue is taken as "contract volume" from *SIPPO Activities 2006*. All other results are extrapolated.

### Extrapolation of Impact to 522 Partner Companies (2006)



	Direct Employment	Indirect Employment	Overall
<b>New Jobs Created</b>	3799	22907	26705

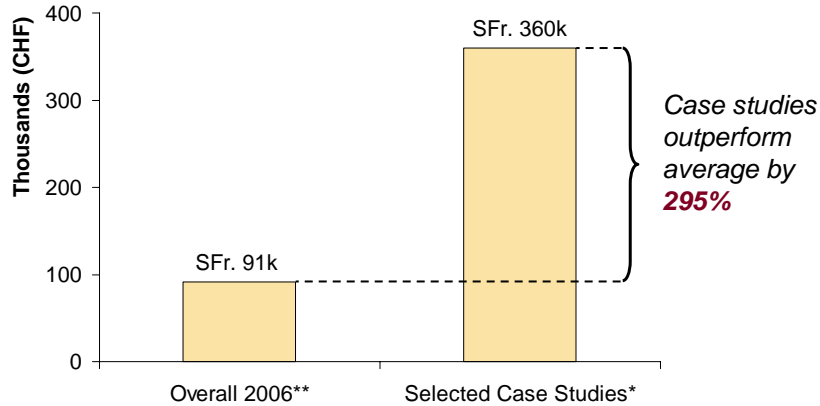
This extrapolation can only give a flavour of the kind of impact SIPPO has had; greater accuracy would require a much more extensive survey. Nevertheless, it seems clear that SIPPO has had an important impact on the countries in which it operates – particularly when considered in terms of increased purchasing power – and has added considerable value to the economies of Switzerland and the EU. Comparing this impact with the total program costs for 2006 implies a similarly impressive return on investment based on 2006 results only – and again without considering the future value of such returns.

#### **Implications for Portfolio Selection**

A closer of analysis of the results for the case studies points to portfolio selection as an important area where SIPPO can further improve its value creation.

In terms of average incremental revenues, the case studies outperformed the ‘typical’ SIPPO partner company by a factor of almost three.

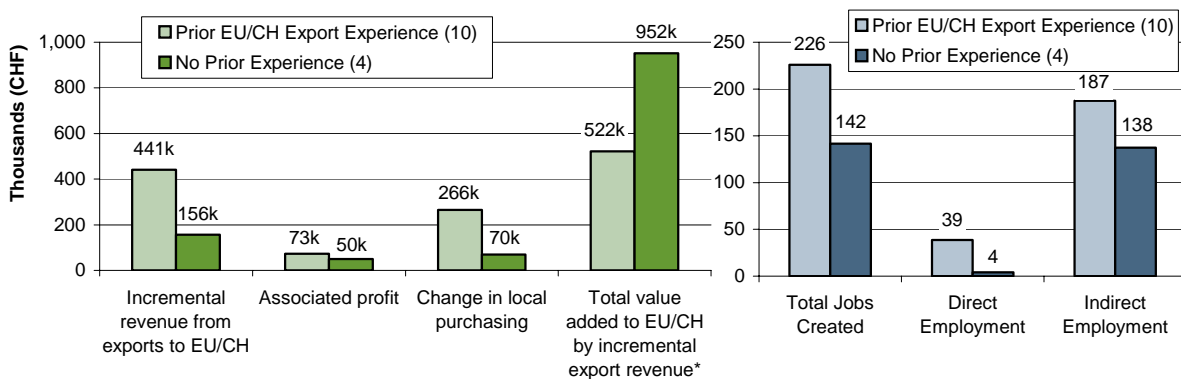
### Average Incremental Revenue from Exports to Switzerland/EU in 2006



If SIPPO were able to close the gap between these front runners and the average across the program, it could further increase its social and economic impact for limited additional cost. Given the relatively effective operation of the SIPPO program once companies have joined, it seems likely that getting smarter about which companies SIPPO brings into the program is the most fruitful way of boosting its average performance.

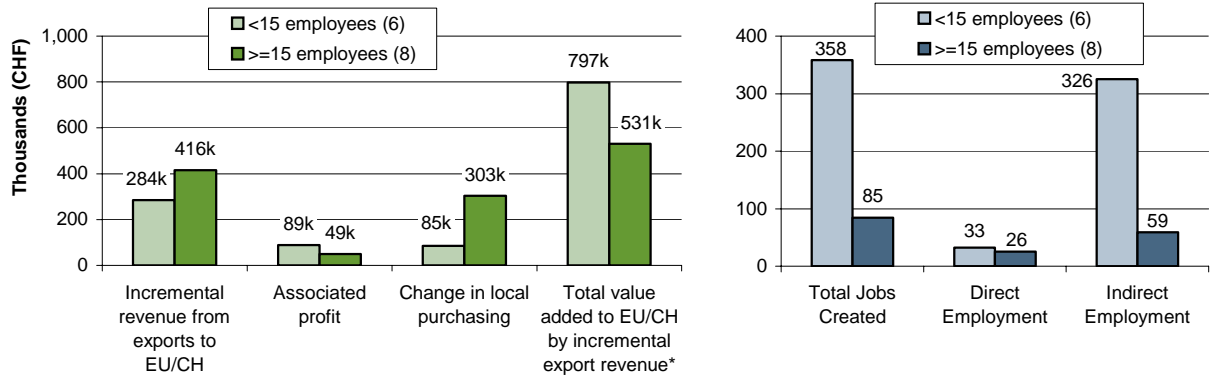
Although the results for the case studies do not form a statistically significant sample, analysis of trends within them points to a number of issues SIPPO faces when thinking about selecting a portfolio of companies.

- Companies with **prior European/Swiss export experience** seem to offer better returns on most measures. This is not surprising, since they already have a base of expertise on which SIPPO can build.



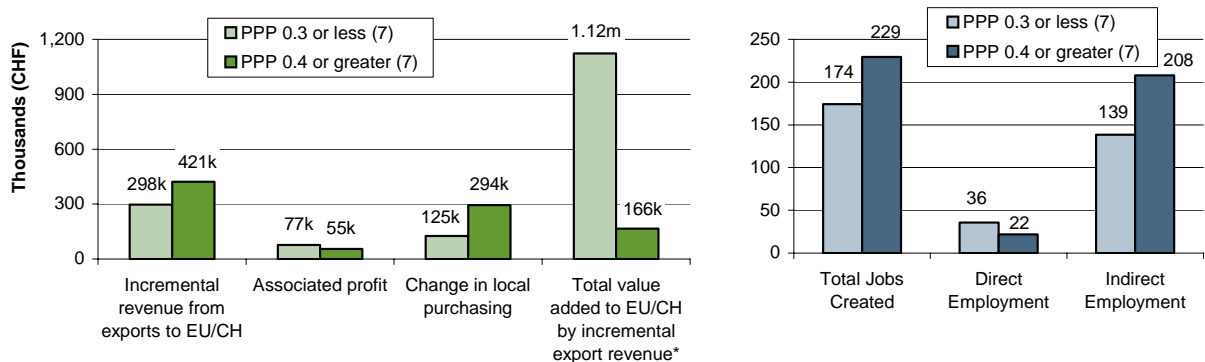
These figures may disguise the value that SIPPO brings by introducing a company to the export market for the first time – a much more difficult proposition, but one which may have a greater long-term value. SIPPO should balance these considerations when thinking about the proportion of experienced/inexperienced companies to take on.

- Breaking down by the **initial size** of the company seems to suggest that smaller companies are better for job creation, while larger ones have more impressive financial returns.

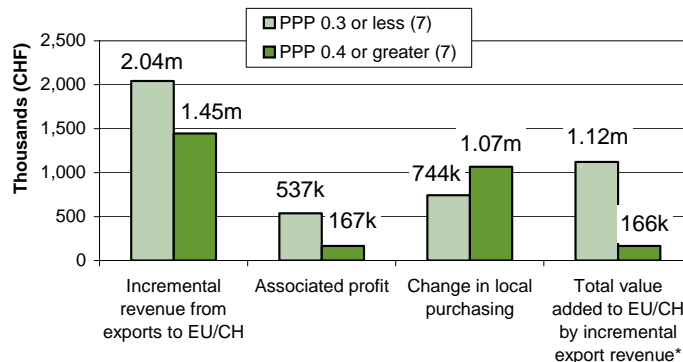


However, larger companies seem to spend significantly more on local purchasing, which may play an important role in safeguarding existing jobs. In deciding whether to focus on larger or smaller companies, SIPPO should take into account local economic circumstances – whether more emphasis should be given to brand new jobs or better and more stable ones.

- On most measures, there is little difference in actual terms between companies from countries with **lower or higher PPP indices** (except on value added to CH/EU: unsurprisingly, products made in cheaper countries can be sold at a higher mark up).



When the results are adjusted for PPP, it becomes clear that SIPPO has a greater impact in countries with a lower PPP index, particularly in terms of profit.

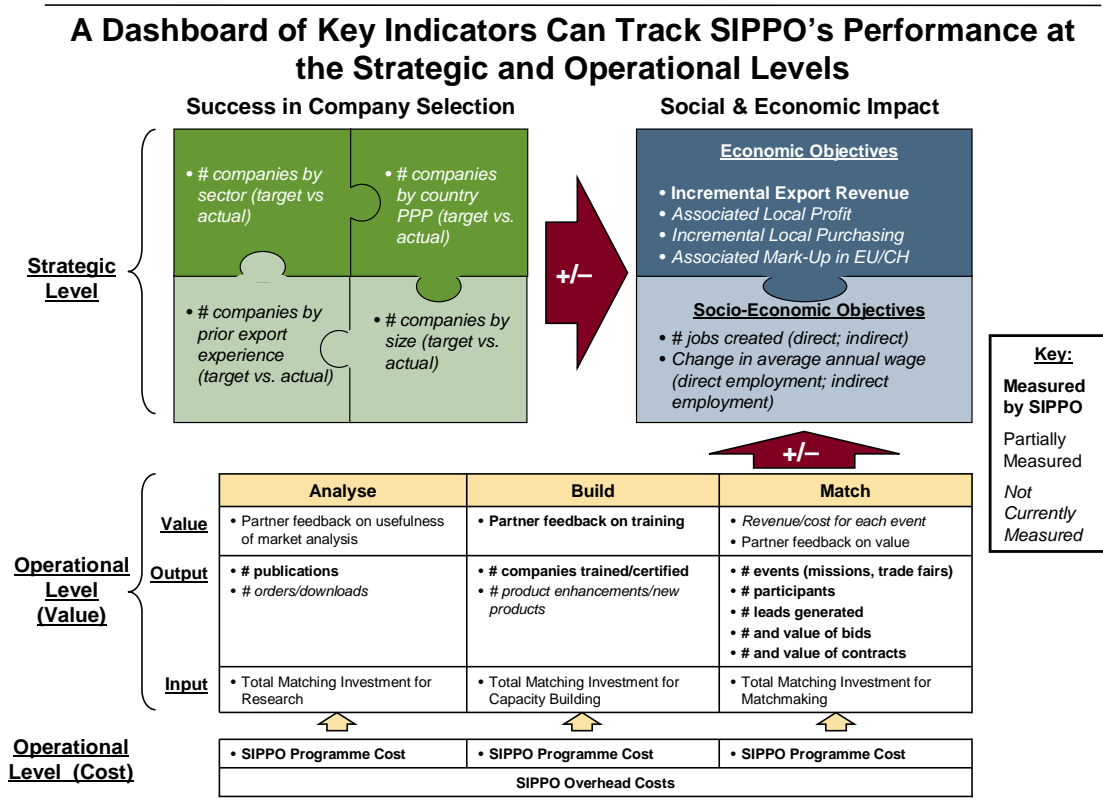


## Recommendations on Performance Tracking

Like many agencies, the primary purpose for SIPPO tracking its performance to date has been to report back to its stakeholders; considerable resources are devoted to gathering detailed data in order to do so. However, current reporting and evaluations do not make clear what the social and economic impact of the program is or how individual programs are performing against each other with respect to such goals; this may make it hard for SIPPO to act effectively to improve performance.

Clearly identifying strategic objectives for social and economic impact, and specifically linking performance measurement to the choices for value creation identified earlier, addresses both of these issues. This would give stakeholders a clearer sense of SIPPO's effectiveness, and progress against goals. It would also provide clear feedback to the SIPPO team and governance structure on how effectively the choices it makes are creating value, and highlight where activities should be reinforced, reviewed or scaled back.

In line with this, we propose a dashboard of performance indicators that correspond directly to SIPPO's choices for value creation. **The dashboard is equally applicable to individual sectors or country programs within SIPPO, and SIPPO as a whole.**



Some of the proposed indicators, particularly at the operational level, are already fully or partially measured by SIPPO. However, there is an opportunity to focus more attention at the strategic level, around company selection and social and economic impact-which can certainly be tracked for any company completing the program.

## **Contribution of Governance Structure**

SIPPO's governance structure has an important role to play in guiding and facilitating value creation – whether split between advisory and supervisory roles, as been the case until now, or as a single board.

The Advisory Board has been composed of a number of experienced and well-connected executives from the industry sectors SIPPO targets in Switzerland and the European Union. Board members bring in-depth understanding of specific import markets coupled with strong networks within their own industry sectors, and as such represent important resources for value creation, particularly at the operational level.

- The board has been supporting SIPPO's **analysis of trends and opportunities** by providing 'advance' knowledge of industry-/sector-specific markets and trends. This helps SIPPO make better choices around the content and target audience of publications.
- Members offer advice on product suitability and required changes (e.g. certification, improved quality) for European/Swiss markets, reinforcing interventions that **build export capability** of partner companies
- They facilitate **matching of buyers and vendors** by extending, honing and reinforcing SIPPO's network of importers

Access to such expert support and guidance is a key component of SIPPO's operating model, and should be retained going forward. The performance dashboard can support this by giving a clear sense of where value is being created at the operational level. Similarly, the dashboard can be used as a diagnostic tool to help identify where, within particular program sectors, such support and guidance should be focused.

Until now, the Supervisory Board has had primary responsibility for setting and overseeing SIPPO's strategic direction and overall progress. The analysis of SIPPO's value creation suggests there is scope for a greater clarity of purpose here, particularly if the dashboard is to be meaningful. We recommend that SIPPO take advantage of the forthcoming change in governance structures to refocus attention on this area. This shall be an additional important task of the Advisory Board (FachBeirat):

- **Clear strategic objectives** should be identified, which reflect SIPPO's priorities for social and economic impact. In setting these, the board should particularly reflect on what the relative priorities should be of promoting economic development in emerging markets and adding value to Swiss and European economies.
- In light of such objectives, there is an opportunity to review and guide the **portfolio selection** of partner companies.
- The governing board should also oversee periodic reviews of **performance** and program **investments** in view of results achieved.

Clearly, the dashboard offers a powerful tool for tracking and reviewing performance – providing information on progress against goals as well as impact overall. It can also generate

a rich base of data that can be easily drawn from to inform future planning cycles.

## **Conclusion**

SIPPO is an effective tool for trade promotion and economic development, and offers an impressive return on investment. The long-term, practical support offered by the program is valued by partners, who particularly appreciate the professionalism with which it is delivered.

Given the primary importance of interacting with import markets, SIPPO should retain program teams that are grouped by sector, rather than by geography.

The Advisory Board is an important asset; SIPPO draws on members' understanding of import markets and extensive industry networks to strengthen its operational performance. Going forward, SIPPO should continue to benefit from such resources as it reinforces the way SIPPO create value towards its social and economic objectives.

To build on this already strong base, a clearer and more explicit strategic vision is required, and performance measurement should more closely reflect the way SIPPO creates value. SIPPO should take advantage of the forthcoming change in its governance structure to work with stakeholders to set specific strategic goals that reflect agreed priorities for social and economic impact.

Combining this with sharper performance indicators linked to value creation will at the same make it easier for stakeholders to understand SIPPO's effectiveness and progress, and provide a rich base of data to inform management decisions. A clearer strategy will also allow SIPPO to be smarter about the companies it chooses to bring into the program.

# SIPPO's Value Creation

Prepared for: September 12, 2007 Meeting

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## Our Study Addressed Four Objectives

- Develop a comprehensive perspective on the **value created by SIPPO** for Global Development
- Demonstrate the value created through **case examples** that are documented based on **a new approach to performance measurement**
- Build on the case studies to recommend change to current **performance tracking**, in order to better capture SIPPO's value moving forward
- Assess **how SIPPO's governance structure contributes to the value** created and should work with such performance tracking

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## SIPPO's Vision, Mission and Objectives

### Vision

- **Reduce poverty and promote economic development** in emerging markets by involving export capable companies, local trade institutions and industry associations, environmental and development organizations

### Mission

- **Help small and medium companies in emerging markets** enter the Swiss and European Union market and **provide Swiss importers with assistance in finding new products**, respecting environmental standards and Global Compact principles in the areas of human rights, labour, the environment and anti-corruption

### Objectives

- **Make SMEs ready for access**: including competitive product design, good quality & safety standards, good presentation and sales capabilities, timeliness in delivery, etc
- **Inform Swiss importers on new sourcing opportunities** and about conditions under which emerging markets operate
- **Build-up a sustainable basis for trade contacts** through suitable networking partners: industry associations and export promotion organizations

# SIPPO's Concentration of Experience by Industry Sector Enables the Identification of Competitive Products for Export to CH/EU

In 2006, SIPPO had programs in **7 industry sectors** across **21 countries** in Africa, Asia, Eastern Europe, Latin America and the Middle East



## 1. Agricultural Products

- Speciality foods, rice
- Organic products, dried fruits
- Fruits and vegetables
- Medicinal herbs and essential oils
- Wine
- Fish and seafood

## 2. Furniture, Homewares & Wood (FHW)

## 3. Clothing & Fashion

## 4. Jewellery, Handicrafts & Toys (JHT)

## 5. IT

- Software
- Trado directory platform

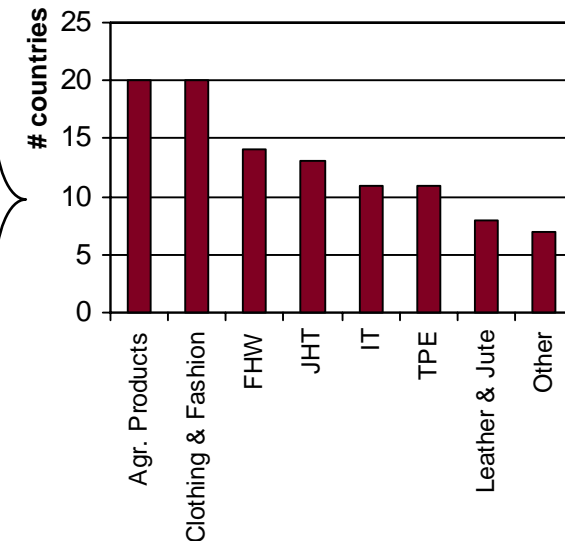
## 6. Technical Products & Electronics (TPE)

- Castings and forgings, vehicle parts
- Plastics and rubber
- Machine parts, electronics

## 7. Other Programmes

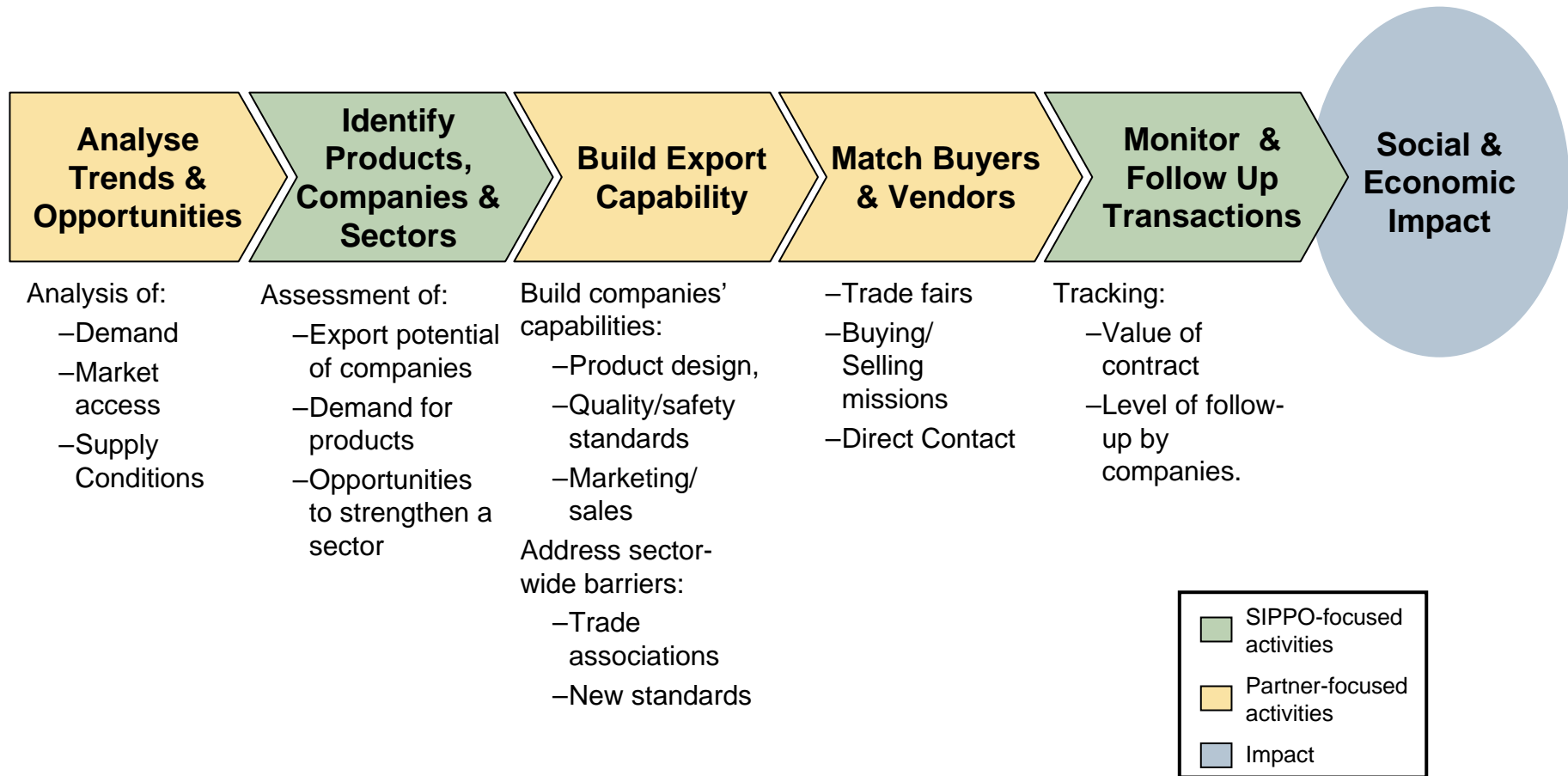
- Ecotourism

Not all countries have programs in every sector



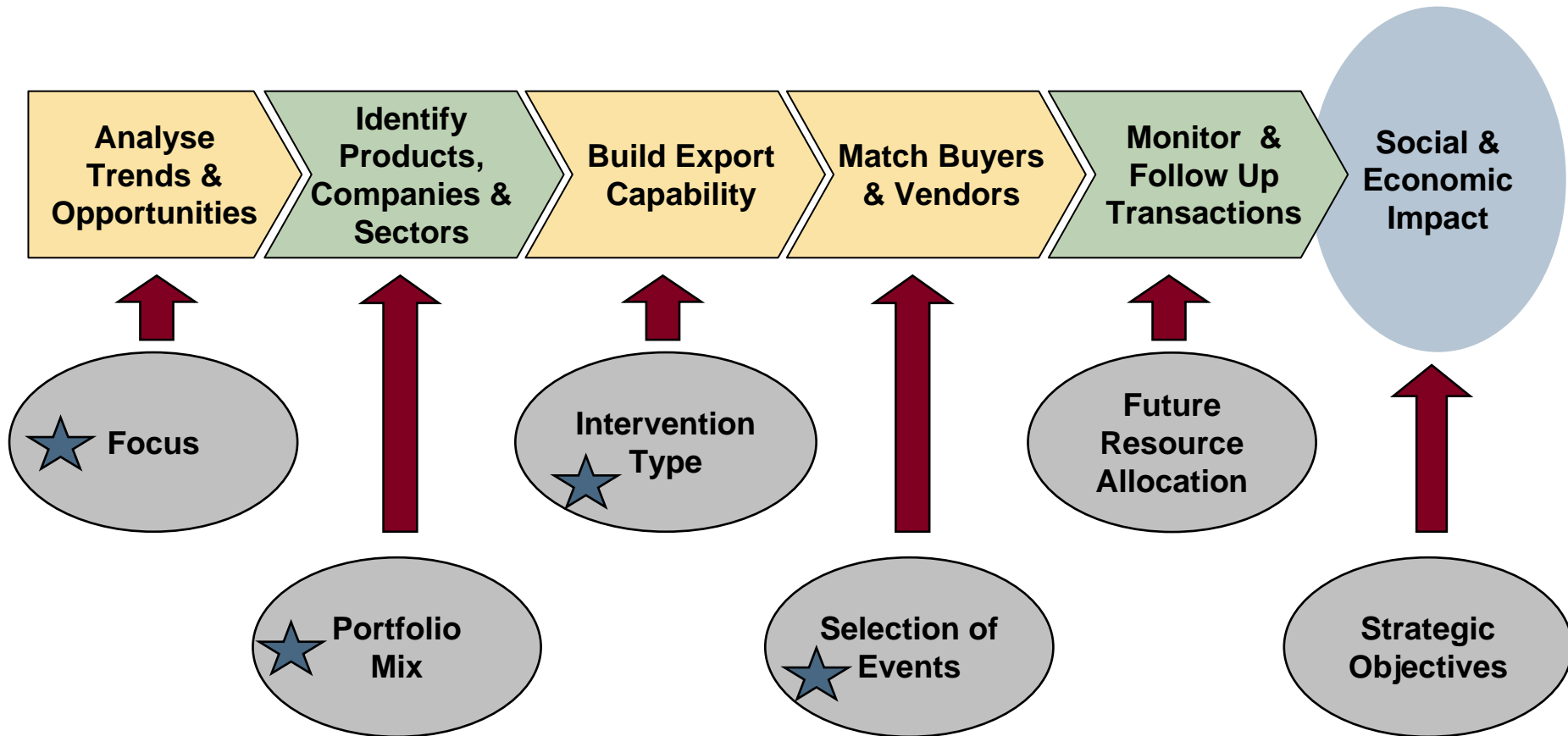
**Target countries are selected by sector; SIPPO then chooses which industry sectors, companies and products to focus on in each country**

# SIPPO Achieves Its Mission by Moving towards Impact through Specific Stages of Activity



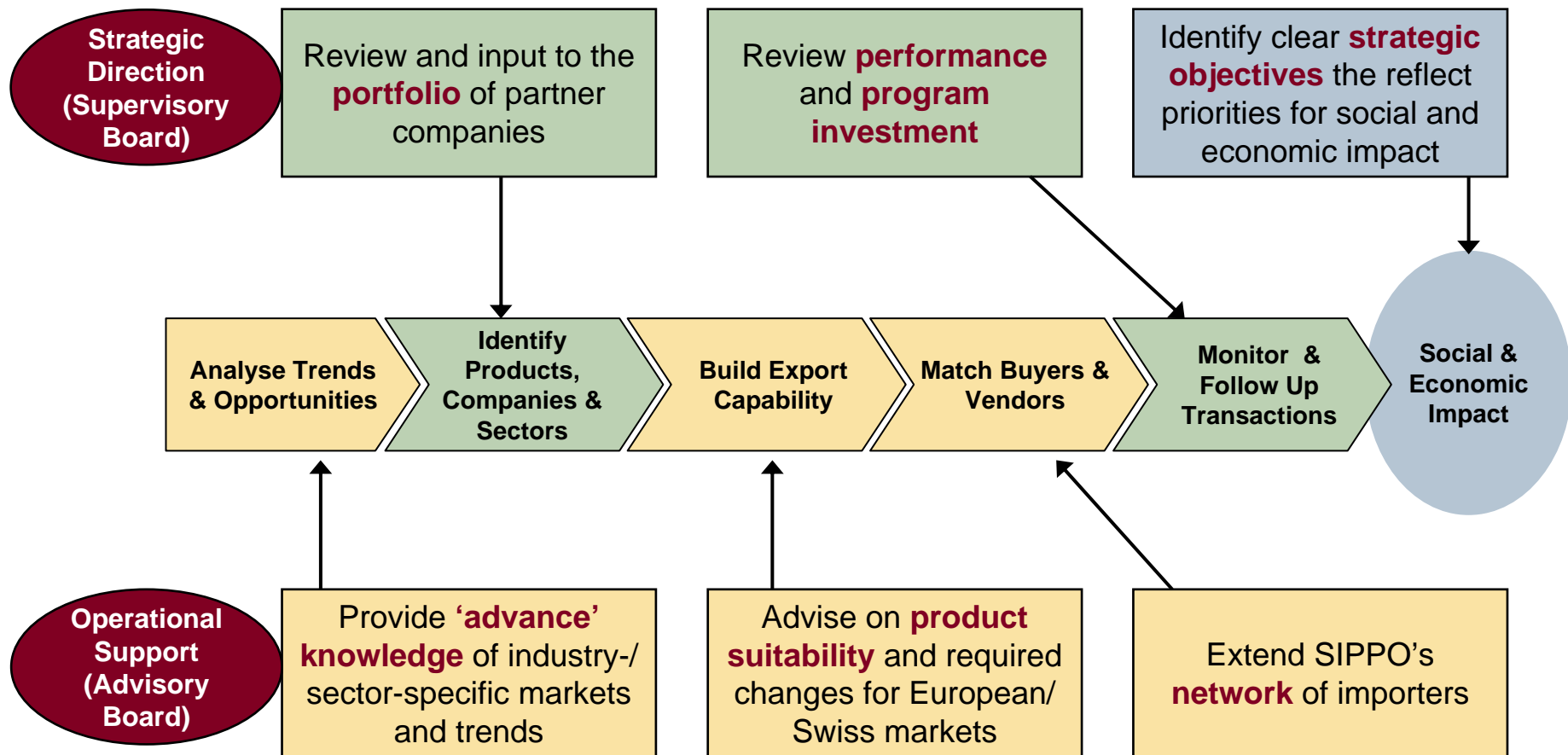
***Investment at each stage varies in importance, depending on the needs of the target country, industry and individual partners***

## Key Success Factors for Creating Value Are Present at Each Stage of Activity



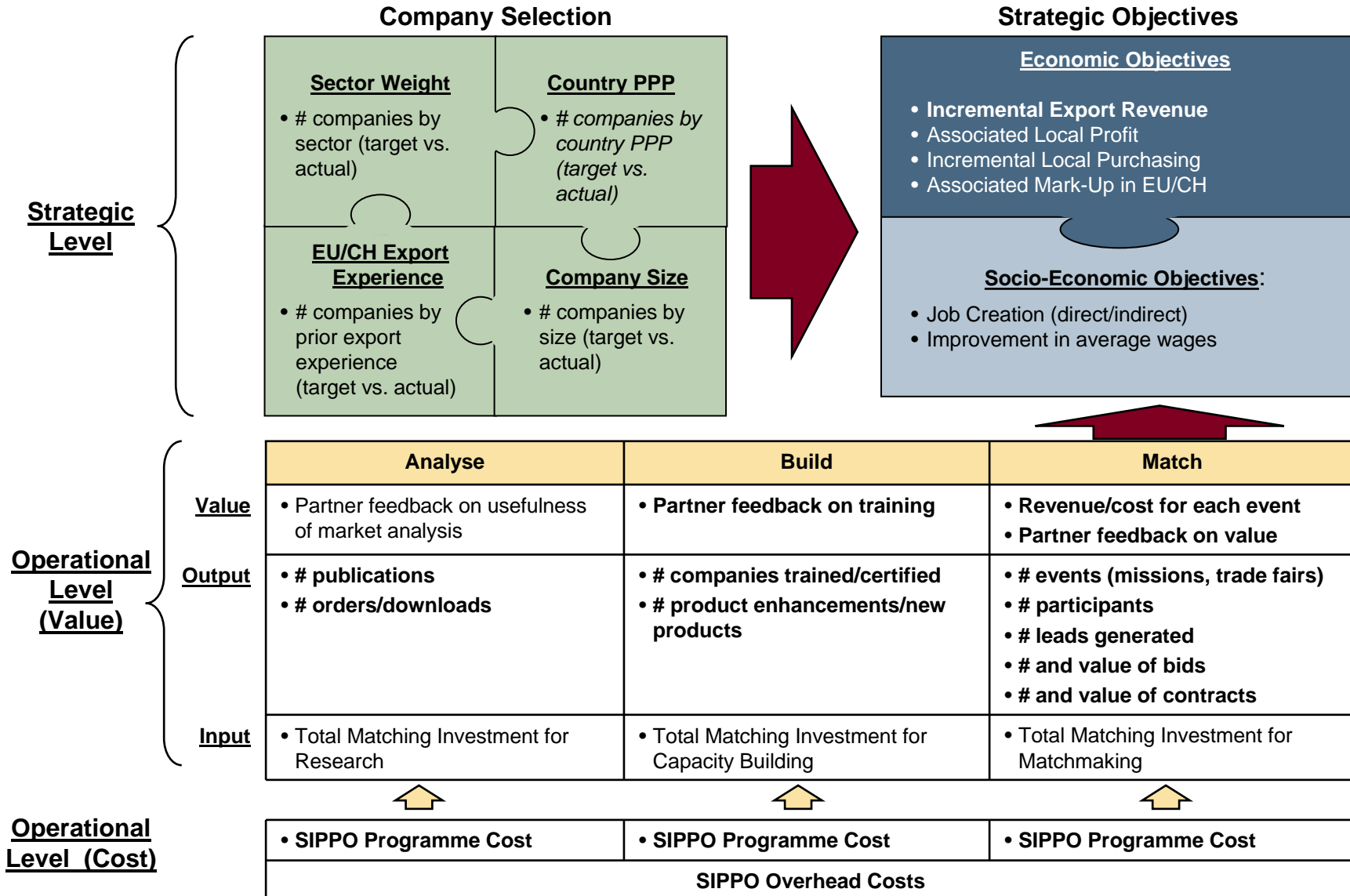
***Strong role of SIPPO's advisory board on key success factors. The Advisory board composed of industry leaders and experts guide selection of products with trade potential and bring their networks to facilitate transactions: they help program managers determine priorities in view of real market situations.***

## SIPPO's Governance Offers Strong Operational Support, and Guidance at the Strategic Level



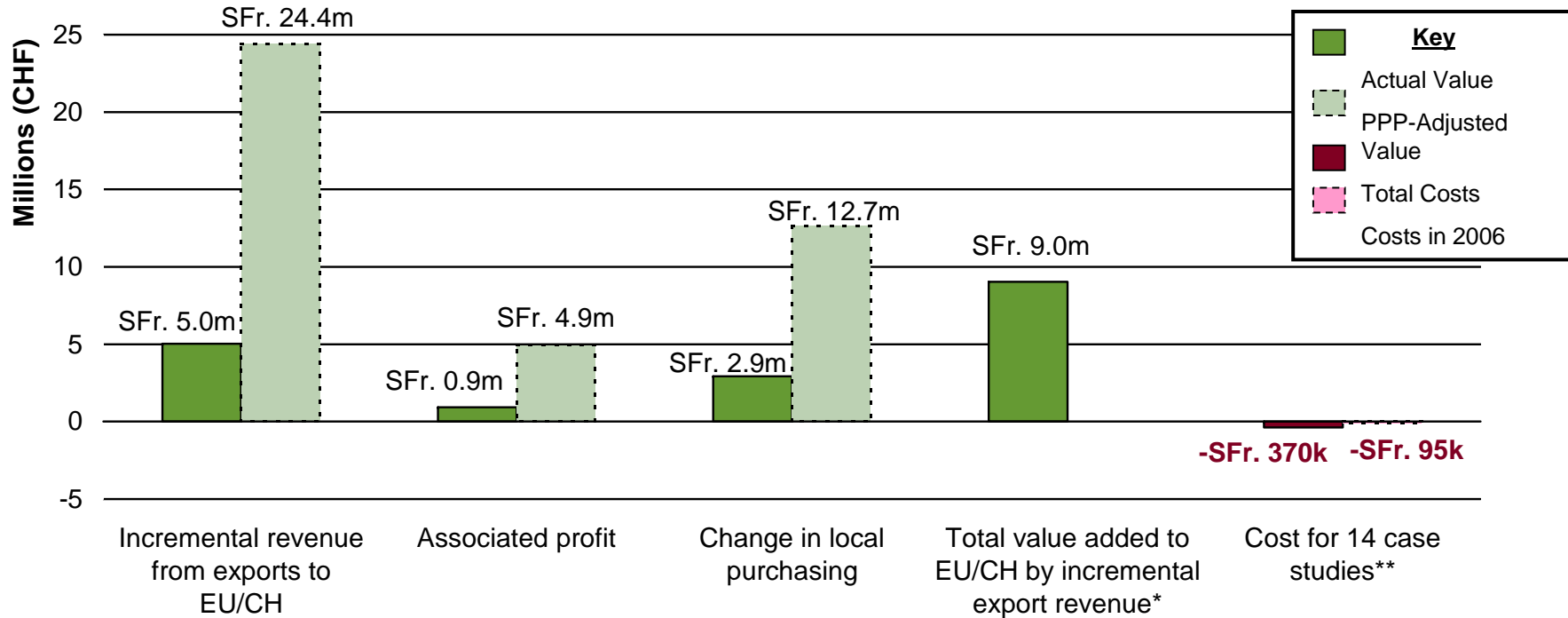
*We recommend that SIPPO take advantage of the forthcoming change in governance structures to refocus attention on both levels. The strategic level shall be an additional important task of the Advisory Board (FachBeirat)*

# A Dashboard of Key Indicators Has Been Developed to Track Performance at the Strategic and Operational Levels



**Note:** in **Bold** are areas SIPPO measures well, non-bold are areas for improvement in performance tracking

## A Survey of Fourteen 'Best in Class' Case Studies Shows an Impressive Return on Investment



**104 new European/Swiss customers**

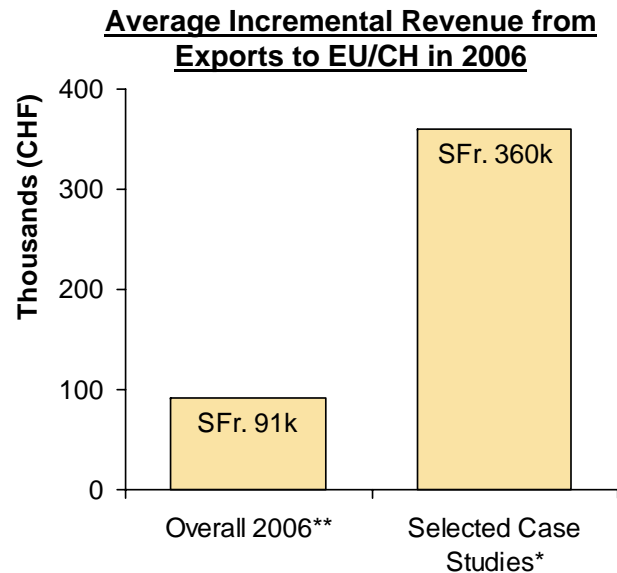
	Direct Employment	Indirect Employment	Overall
<b>New Jobs Created</b>	402	2424	2826
<b>Change in avr. annual wage (actual)</b>	SFr. 750	SFr. 130	SFr. 175
<b>Change in avr. annual wage (PPP)</b>	SFr. 3500	SFr. 690	SFr. 430

**Note:** \*Not adjusted for PPP, as the value is added in Europe/Switzerland, and not in developing countries

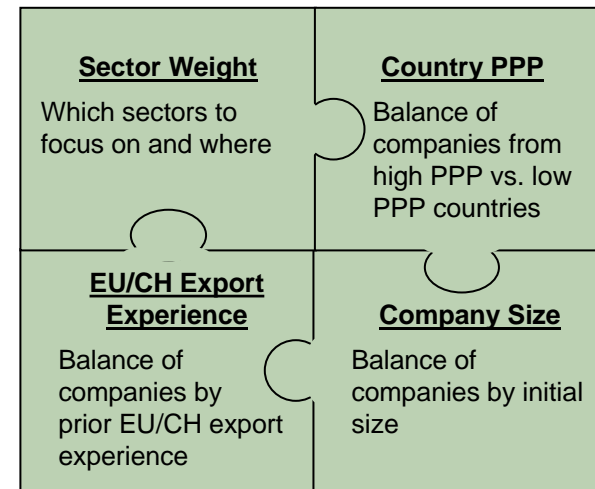
\*\*Over the duration each company was in the SIPPO Program

# Company Selection Has a Large Impact on Results

**The Case Studies outperform the typical SIPPO partner company by 295%**

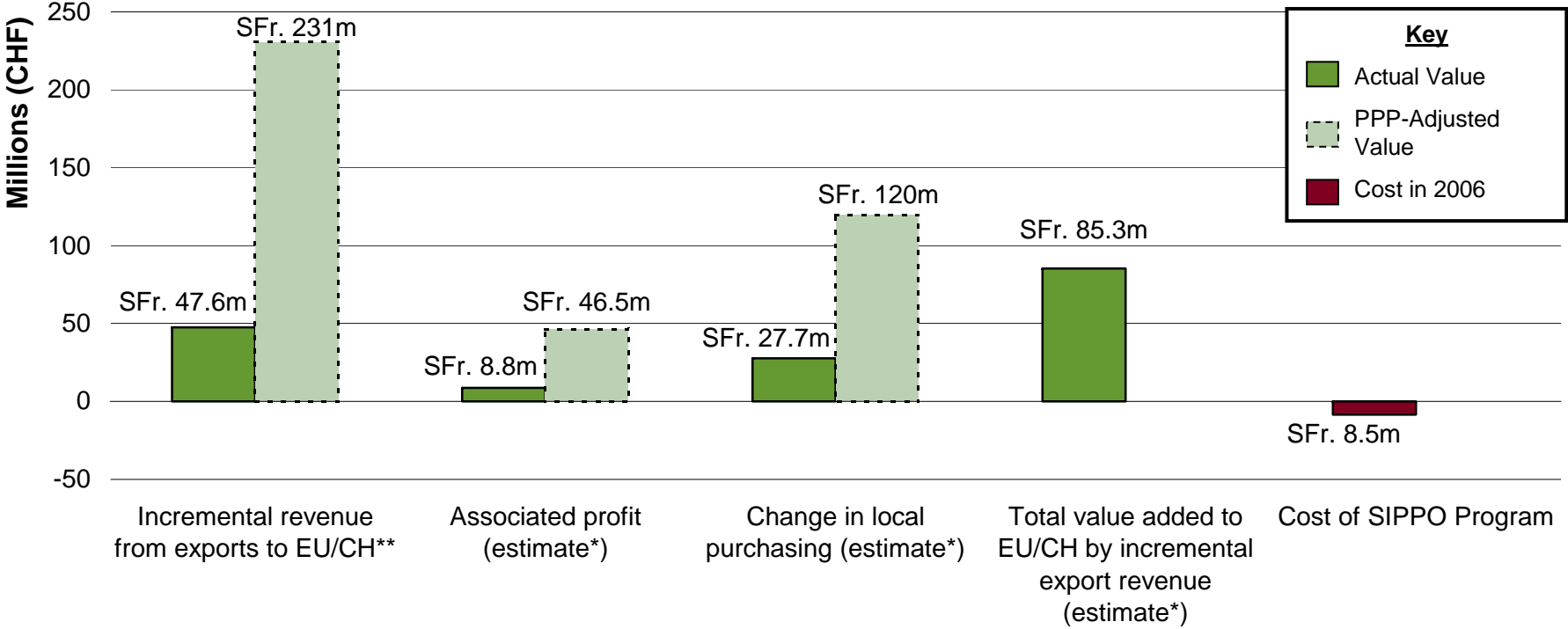


**To close this gap, SIPPO can optimise its portfolio of companies along four dimensions**



**Note:** \*Total incremental export revenue from case studies, divided by 14  
 \*\*Total 2006 contract volume (from *SIPPO Activities 2006*), divided by 522 partner companies

# Extrapolating to the 522 Partner Companies in 2006 Suggests that SIPPO Has Had a Significant Social and Economic Impact



	Direct Employment	Indirect Employment	Overall
<b>New Jobs Created</b>	3799	22907	26705

**Note:** \*Estimates were extrapolated by multiplying the results for the 14 case studies by the actual ratio of incremental revenue (incremental revenue for 522 partner companies ÷ incremental revenue for 14 case studies)  
 \*\*PPP-adjusted result is estimated; actual result from *SIPPO Activities 2006* ("contract volume")

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## SIPPO's Comparative Advantages in the Business of Expanding Economic Opportunity in Emerging Markets

- Companies leverage SIPPO's **in-depth, sector-specific knowledge** of European and Swiss markets and demand trends
  - The advisory board, combined with the experience of program managers and mandated experts steers companies towards profitable market niches
- The **length, technical focus, access to expertise** offered by the SIPPO program gives companies the **space and resources to grow and develop**
  - Training on quality and standards is valued, as is training on marketing and trade fair preparation, and ability to learn over three years of trade fair attendance by getting new product ideas and better understand the market
- SIPPO's credibility and extensive **network of contacts** in Europe and with trade groups in target countries is a key strength
  - Specialist trade fairs are viewed as the best way to meet customers face-to-face
- SIPPO brings a **'halo effect'** for companies participating in the program – inclusion is seen as a mark of quality and raises their standing in their own markets and for export internationally
- Based on case studies, **SIPPO's socio-economic impact in target countries is impressive**, and achieved with a high return on investment considering the budget of the organization

***SIPPO has done well and can do better through even more sharply defined socio-economic objectives and performance tracking***

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## Summary

- SIPPO's annual program budget is now CHF 8.5m
- Now that SIPPO has built a rolling portfolio of 522 partner companies, annual program investments regenerate about CHF 50m in export revenues which are equivalent to over CHF 200m once corrected for purchasing power parity (PPP)
- The associated estimated profit generated in the target country is CHF 9m, or nearly CHF 50m after PPP adjustment
- The estimated change in local purchasing associated with the growth of the export companies during their tenure with SIPPO is CHF 28m or CHF 120m after PPP adjustment
- Based on extrapolation of case studies, the total mark-up in CH/EU of the incremental export revenue is CHF 85m
- Total jobs created with such levels of incremental revenue could amount to as much as 4000 direct jobs and 23000 indirect jobs, each associated with increases in average wage

***The program demonstrates the high potential – and returns - of applying public funds to expanding sustainable economic opportunity***

## SIPPO's Social & Economic Impact Was Modelled Using a Limited Selection of Key Indicators

Indicator	Method of Calculation	Reason for Measuring
Incremental revenue from exports to EU/CH	Difference between export revenue to EU/CH in 2006 <sup>1</sup> and the year before the company joined the SIPPO program (on average, a period of 4 years)	Shows change in volume of EU/CH export business, contributed to by SIPPO
Associated profit	Earning before interest and taxes to partner company from incremental revenue from exports to EU/CH	Shows change in profits of partner company associated with SIPPO contribution
Change in local purchasing	Difference between total company spend on local purchasing in 2006 <sup>1</sup> and the year before the company joined the SIPPO program	Illustrates knock-on effect of SIPPO program in the local economy, beyond profit and direct employment costs
Total value added to EU/CH economies by incremental revenue from exports to EU/CH	Estimated mark-up on incremental revenue from exports to EU/CH (where known)	Shows part of the value of the SIPPO program to EU/CH economies (does not capture value to consumer from lower prices or increased choice)
# new EU/CH customers	Difference between number of EU/CH customers in 2006 <sup>1</sup> and the year before the company joined the SIPPO program	Illustrates diversification of export customer base
Direct employment	# full-time equivalent employees in 2006, less equivalent # in the year before company joined the SIPPO program	Illustrates impact of SIPPO program on company employees, families and local communities
Indirect employment	# new jobs fully dependent on the company, though not part of the payroll (e.g. subcontractors, artisanal fishermen, herb collectors, etc.); calculation as above	
Change in average annual wage (direct employment)	2006 vs. year before joining SIPPO program	
Change in average annual wage (indirect employment)	2006 vs. year before joining SIPPO program	

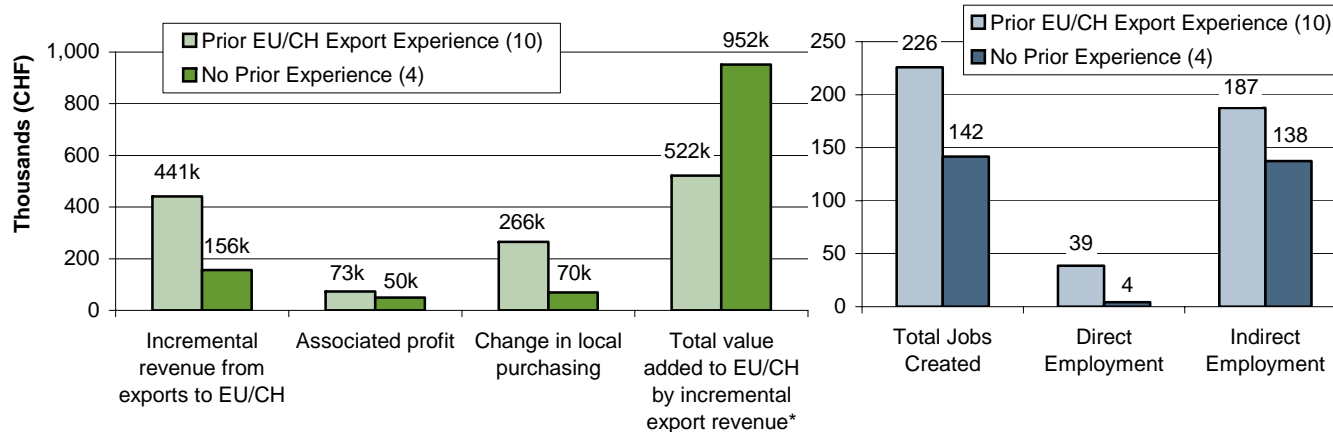
***Adjusting monetary indicators to Purchasing Power Parity<sup>2</sup> offers a better sense of the value of SIPPO's impact 'on the ground' in developing countries***

**Note:** 1. One case study provided figures for 2001 and 2005

2. Published in the World Bank's World Development Indicators. Indicators are converted to USD, adjusted, converted to CHF and readjusted

# A Closer Look at Trends within the Fifteen Case Studies Highlights the Effects of Bringing Different Kinds of Company into the Program

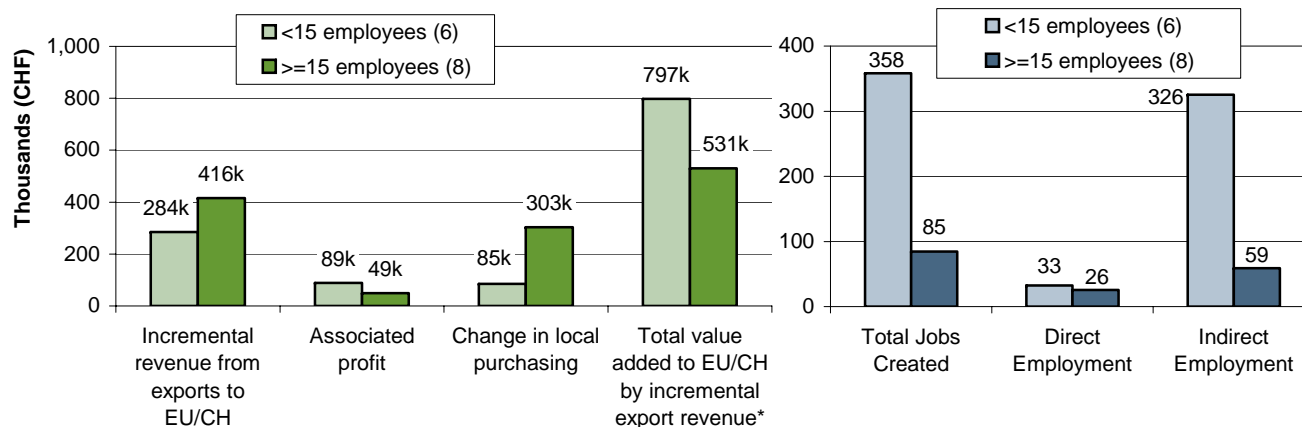
**Trends by Prior Export Experience**



Unsurprisingly, companies with prior export experience seem to offer better returns on most measures.

SIPPO needs to balance overall impact with helping inexperienced companies export for the first time.

**Trends by Initial Company Size**



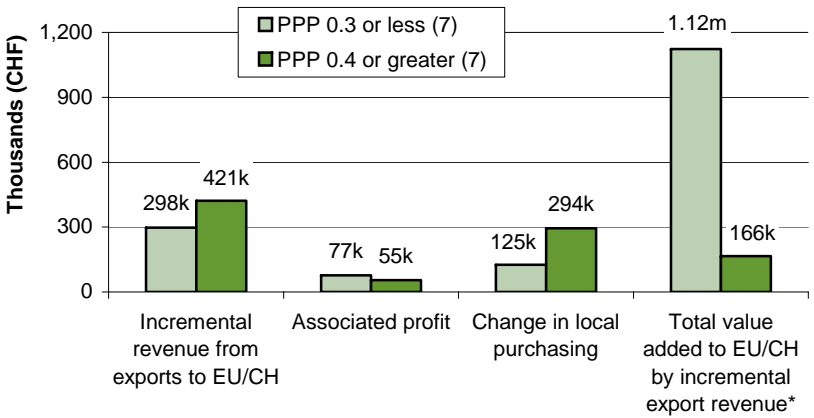
While smaller companies appear to be more effective for job creation, larger companies spend significantly more on local purchasing, which may safeguard existing jobs.

SIPPO should take local economic circumstances into account when deciding whether to focus on larger or smaller companies.

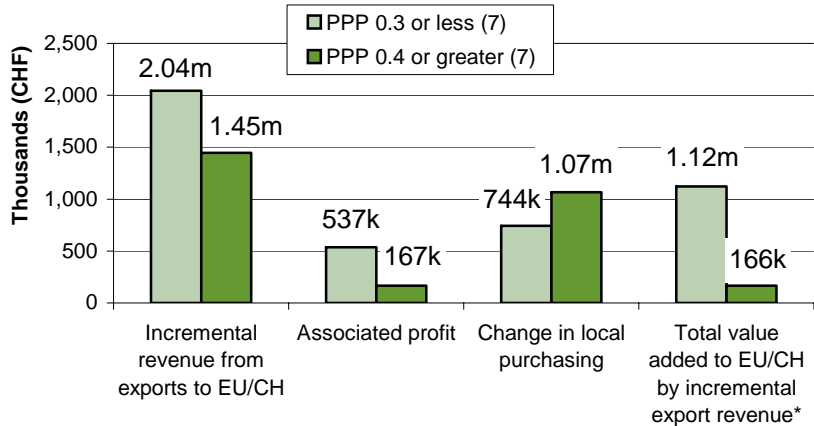
***Due to the small number of cases, these trends are illustrative only. Nevertheless, they underline the strategic choices that need to be made***

# A Closer Look at Trends within the Fifteen Case Studies Highlights the Effects of Bringing Different Kinds of Company into the Program

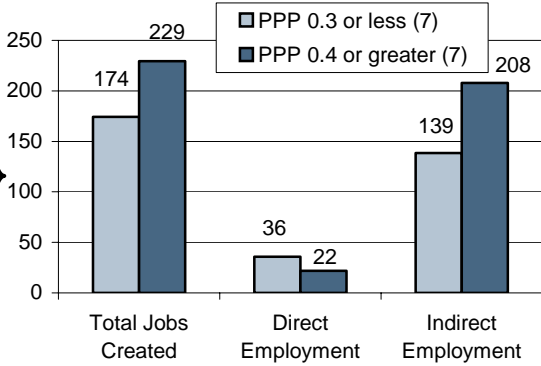
**Financials by Country PPP Index (Actual)**



**Financials by Country PPP Index (Adjusted)**



**Jobs by Country PPP Index**



On most measures, there is little difference in actual terms between companies from countries with lower or higher PPP indices (except on value added to CH/EU: unsurprisingly, products made in cheaper countries can be sold at a higher mark up)

However, when the results are adjusted for PPP, it becomes clear that SIPPO has a greater impact in countries with a lower PPP index.

***Due to the small number of cases, these trends are illustrative only. Nevertheless, they indicate that strategic choices that need to be made***