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SUSTAINABLE DEVELOPMENT GOAL 9  
INDUSTRY, INNOVATION AND INFRASTRUCTURE

# The Subcontracting and Partnership Exchange (SPX) Programme

*TII Awareness Session  
21<sup>st</sup> June 2018*



TRADE  
INVESTMENT  
INNOVATION

*Driving Economic Transformation*

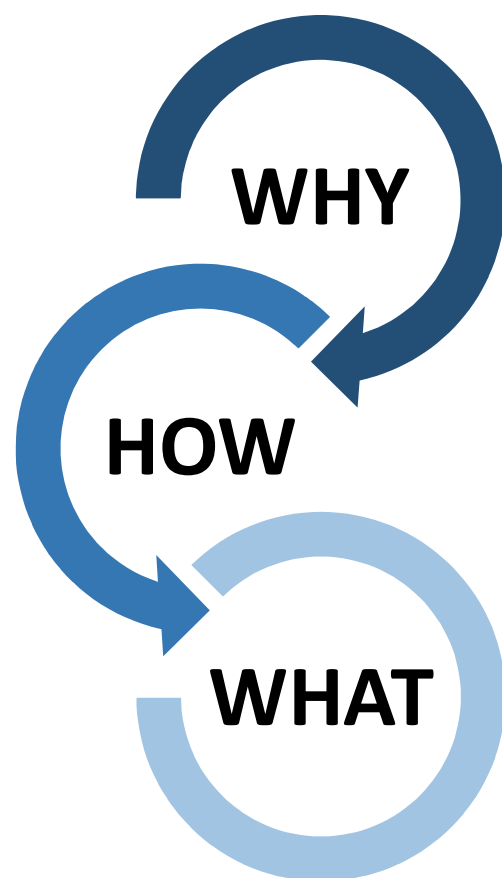


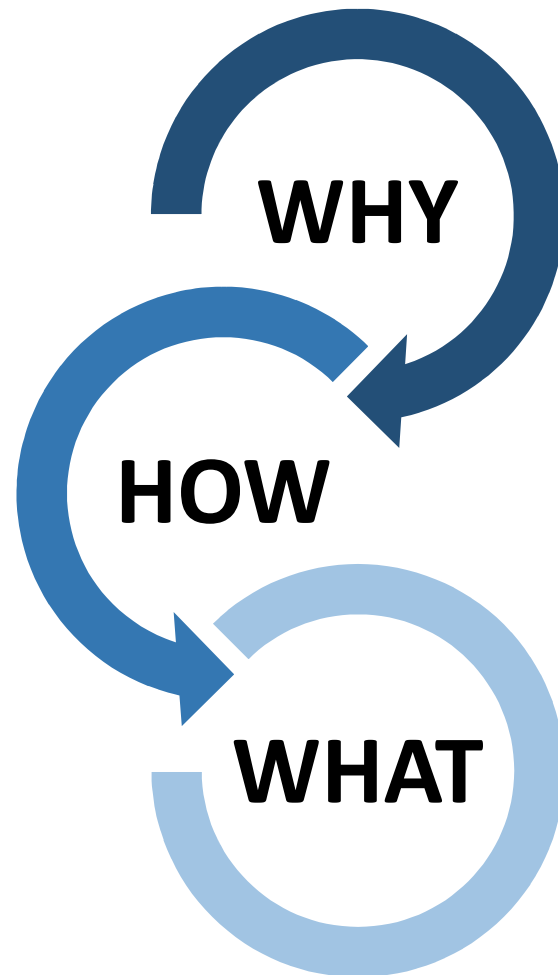
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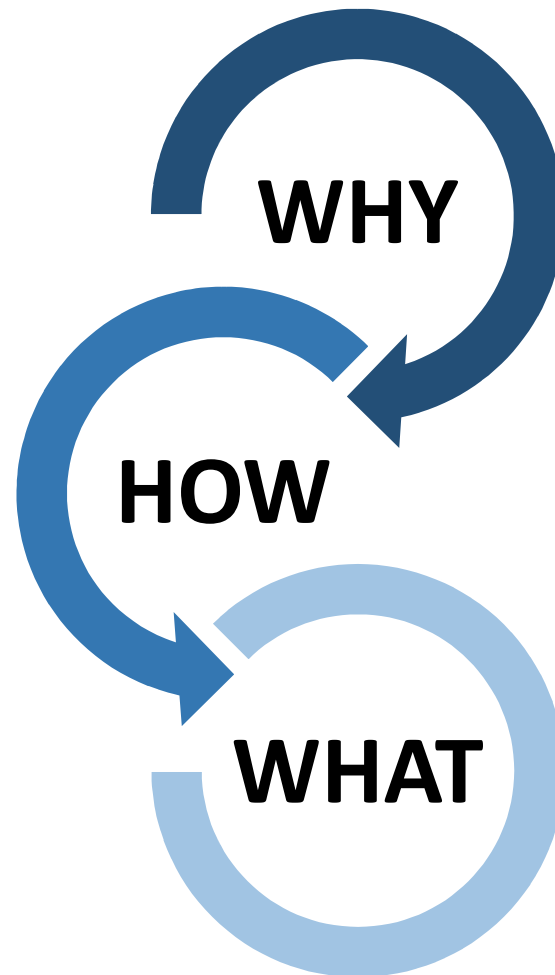
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# Presentation structure



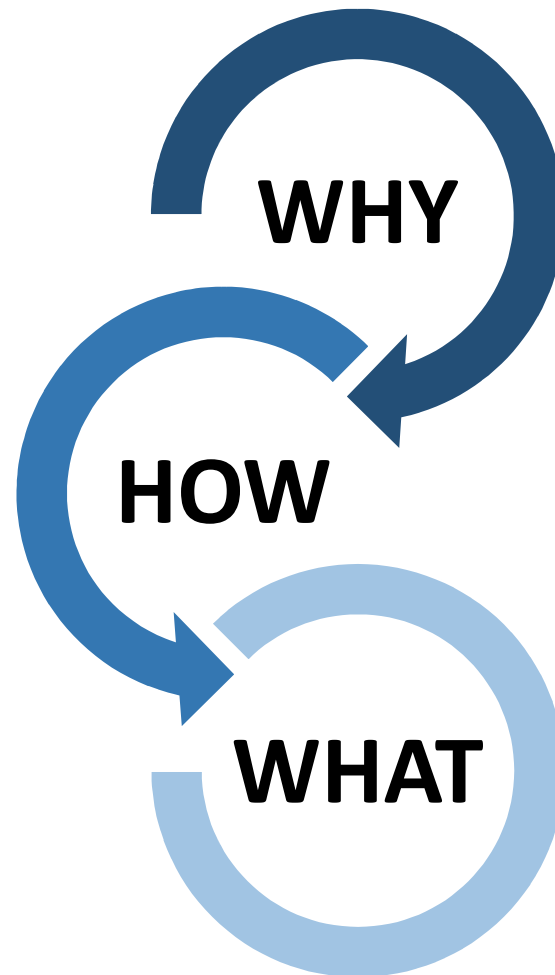


- Background
- Policy options



- Background
- Policy options

- Methodology
- Approach



- Background
- Policy options

- Methodology
- Approach

- Impact
- Case studies



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## Market failures related to linkages

- “Spill-over” effects of foreign direct investment (FDI) to the local economy not realized due to low levels of local content
- Linkages between local suppliers and buyers are weak
- Lack of transparent information about local SME suppliers and their supply capacity
- Lack of awareness of local suppliers about downstream market opportunities
- Inability of local suppliers to supply at the quality and quantity required by larger buyers





## Local content in material inputs of MNEs in Sub-Saharan Africa

Sector	Mean	Median
Food, beverages & tobacco	47.1%	40.0%
Textile	36.2%	27.5%
Garment, apparel & leather	32.2%	20.0%
Paper & paper products	23.3%	29.0%
Publishing & media	40.0%	30.0%
Chemical, plastic & rubber	28.6%	20.0%
Non-metallic mineral products	33.4%	22.0%
Basic metals	41.4%	30.0%
Auto, machinery & equipment	27.1%	10.0%
Wood products & furniture	51.8%	53.0%
Construction	55.4%	60.0%
<b>TOTAL</b>	<b>38.1%</b>	<b>29.0%</b>

Source: 2007 UNIDO Africa Investor Survey Report





## Policy options and actions

- The solution is NOT to implement mandatory local content regulations without complementary supplier development efforts
- Governments can *encourage* the creation and deepening of backward linkages by lowering costs and raising the rewards for both TNCs and local firms
- Objective is not the linkage itself, but the contribution of such linkages to spillovers in the form of knowledge, skills and technology
- Such spillovers are not automatic and require complementary government action

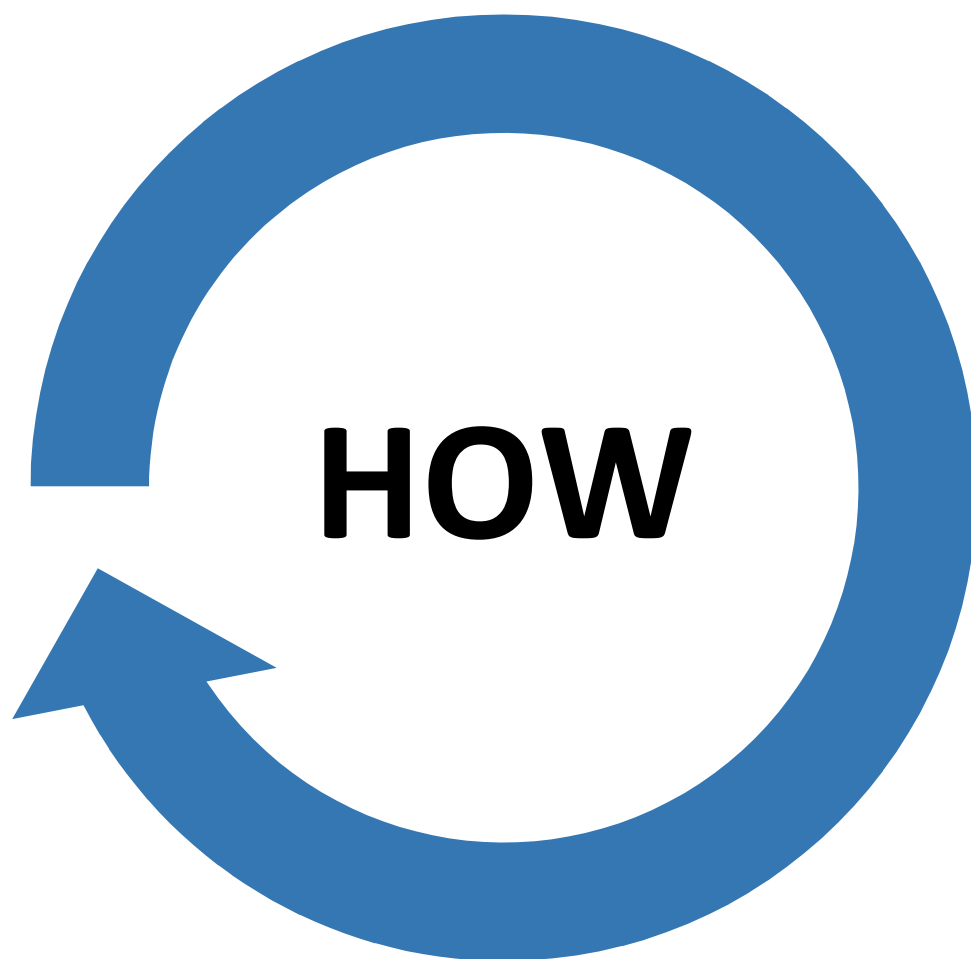




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SUBCONTRACTING  
PARTNERSHIP  
EXCHANGE

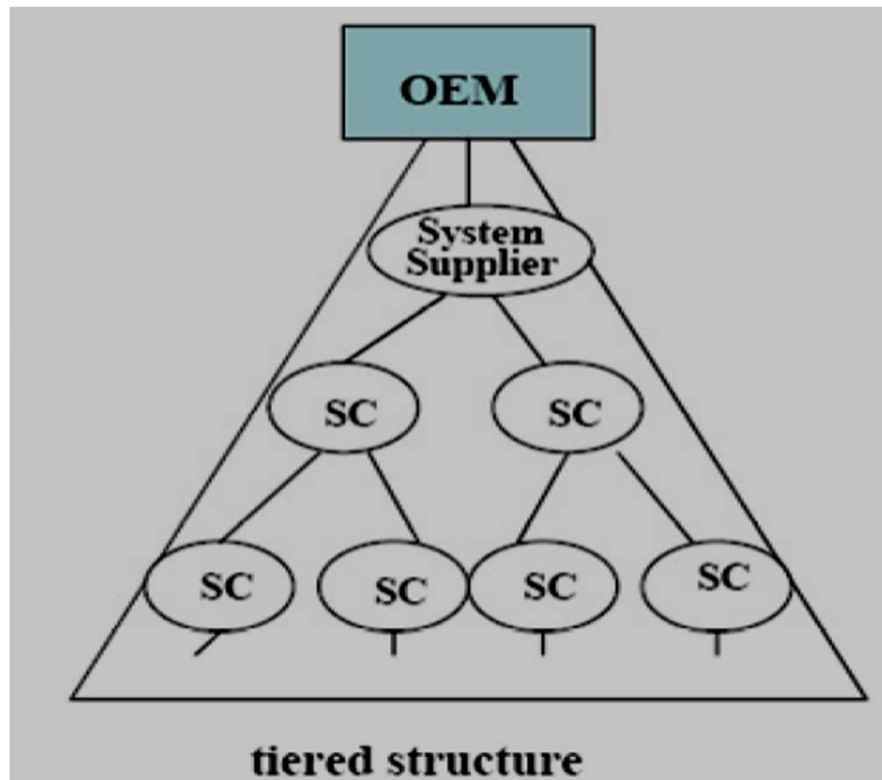
## Overall programme objectives

- Strengthen the ability of domestic enterprises to capture emerging subcontracting opportunities in their countries
- Support enterprise through improved productive capacity and performance assessment
- Increase the local content of major investment projects in developing countries





# What is industrial subcontracting?

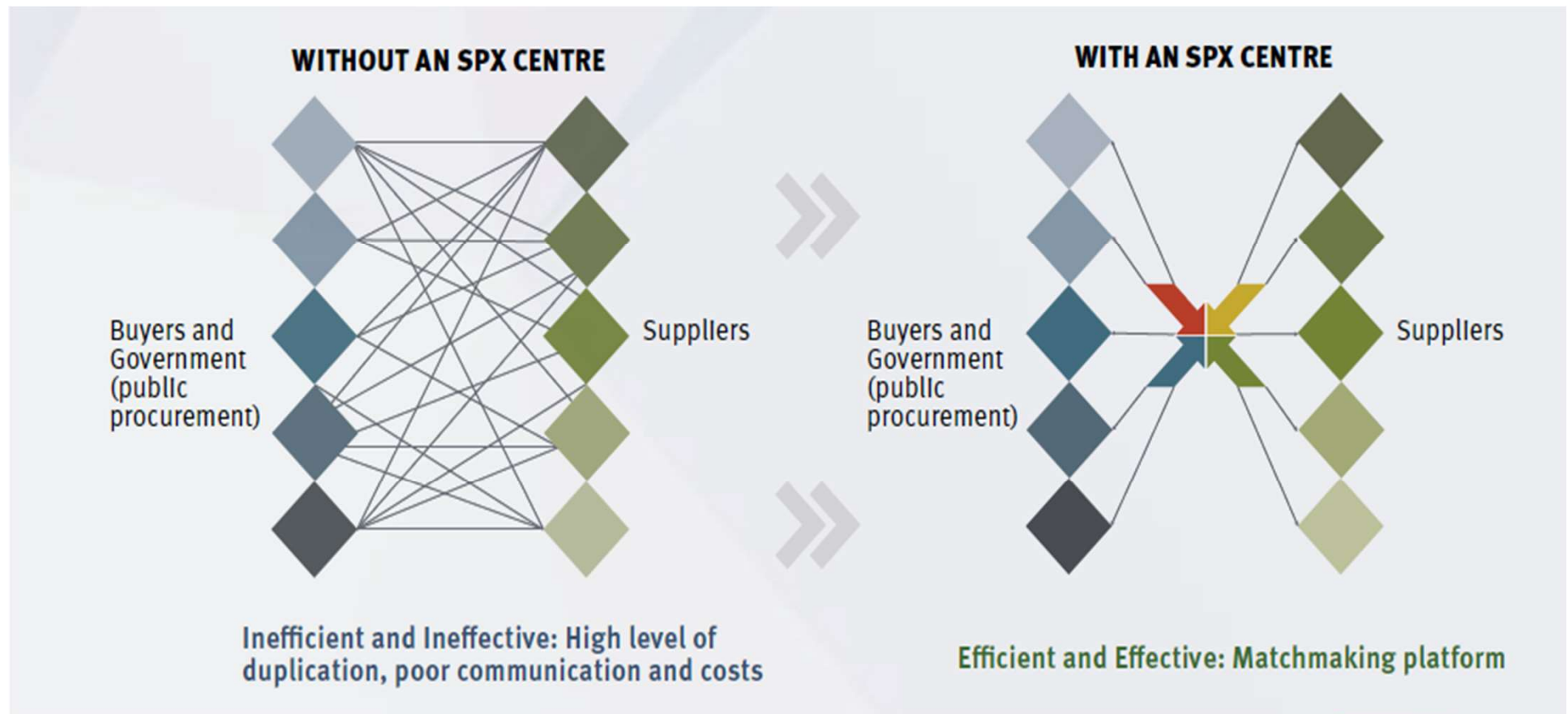


## Definition of subcontracting:

*An economic relationship where one entity, the main contractor, requests another independent entity, the subcontractor or supplier, to undertake the production or carry out the processing of a material, component, part, subassembly or the provision of an industrial service in accordance with the main contractor's specifications.*

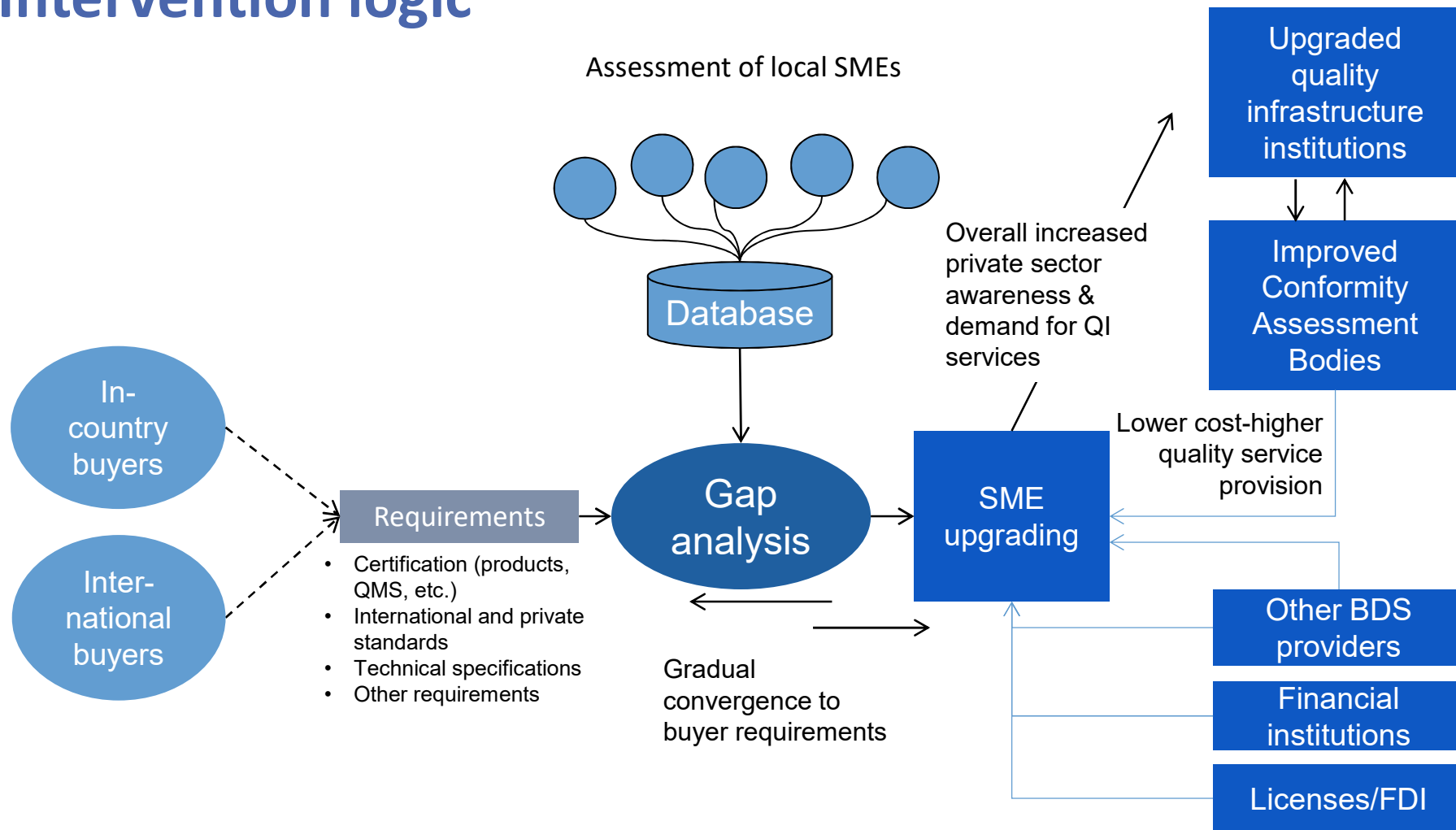


# SPX Value Proposition





# Intervention logic



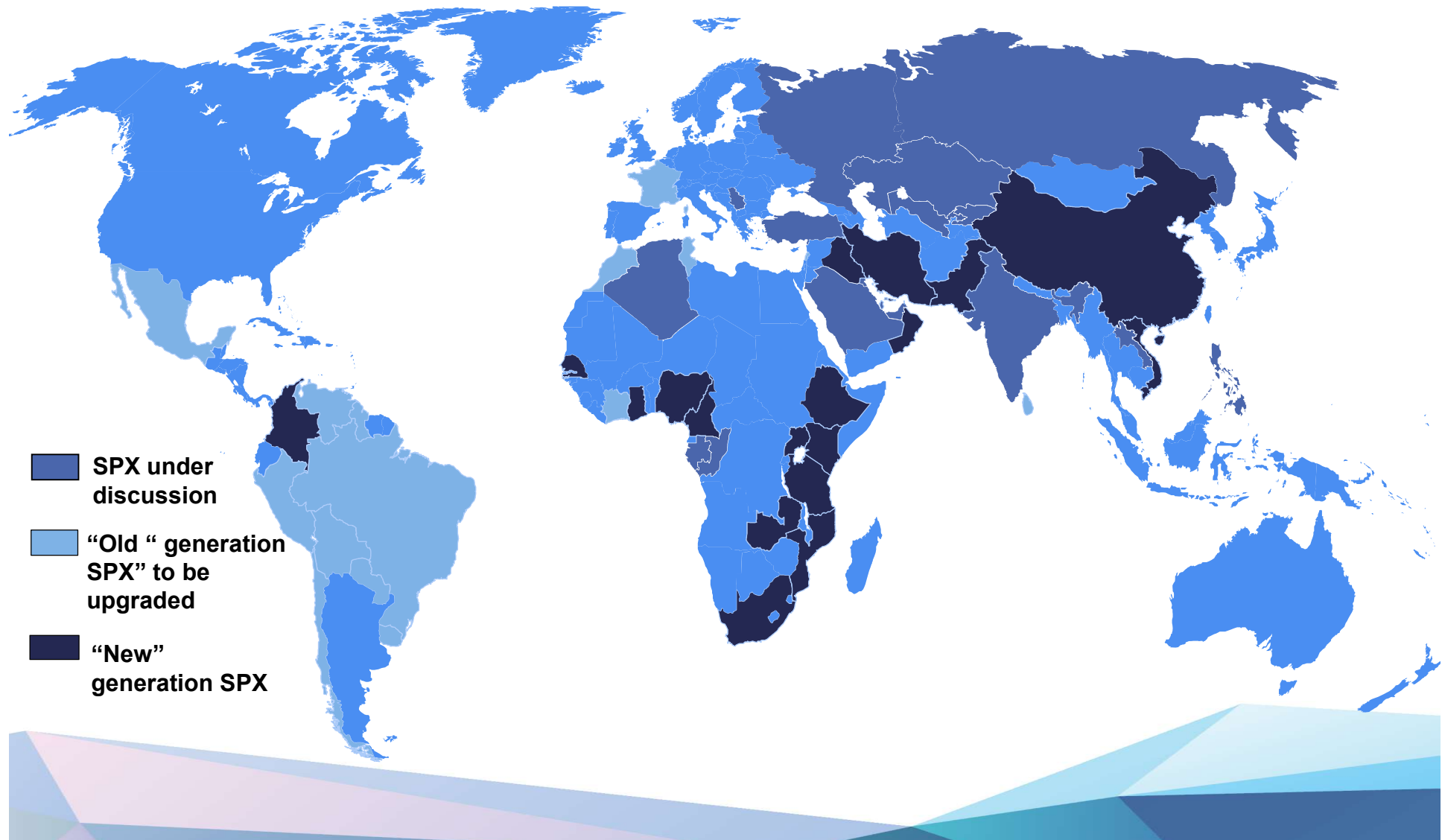


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## UNIDO's SPX Network today







# The SPX approach

## Profiling and Buyer Engagement

Physical enterprise visits for SME supplier profiling, build-up of a dedicated database and use of an online SPX Management Information System (SPX MIS) for facilitated matchmaking process

International and domestic buyers engaged to capture buyer needs and procurement strategies, buyer-supplier matchmaking through RFQ, RFI and RFP management

## Benchmarking

Assessment of supplier business performance and practices comparing domestic SMEs to the international best practices, providing diagnostic action plans for upgrading and sustainability improvements

## Supplier Development

Facilitated enterprise development support programmes linked to joint buyer-suppliers development initiatives and country wide public/private sector interventions

Identification of supplier firms' industrial project investment opportunities (incl. JVs) and mobilization of suitable technology partners and service providers

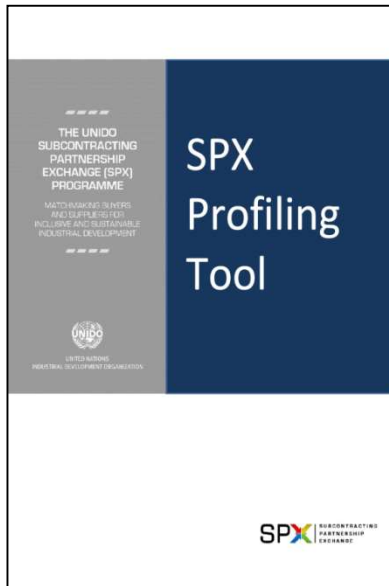
## Networking for investment promotion

Bringing together national and regional organizations to exchange best practices and to boost trade and investment relationships (e.g. South-South) in national and international fora





# The SPX Profiling methodology



## Additional Supplier Profile Details

Supplier partnership details

Feasibility plans for investment project proposals, type of foreign trade and investment partnership requested

Area of further assistance required

Sustainability

SPX Profiler final observations



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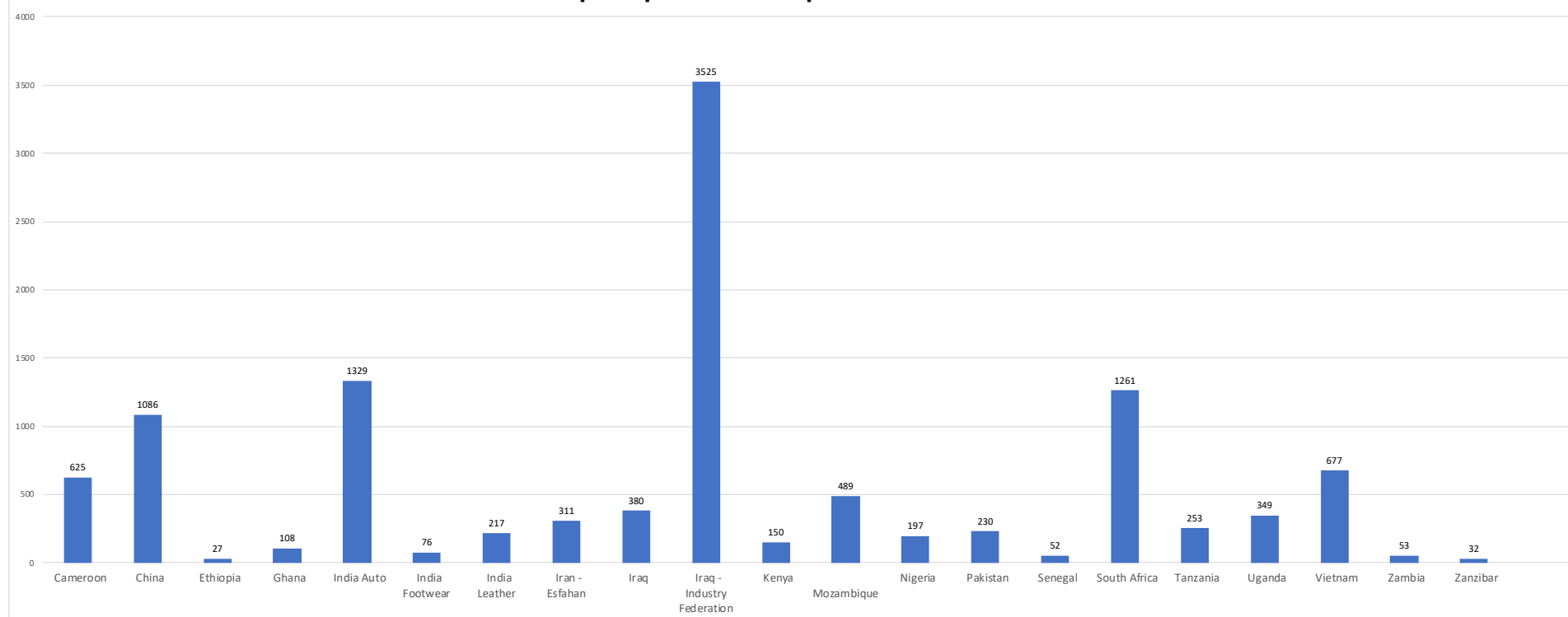
# SPX MIS Software

## 11,500 suppliers

## 15 country databases

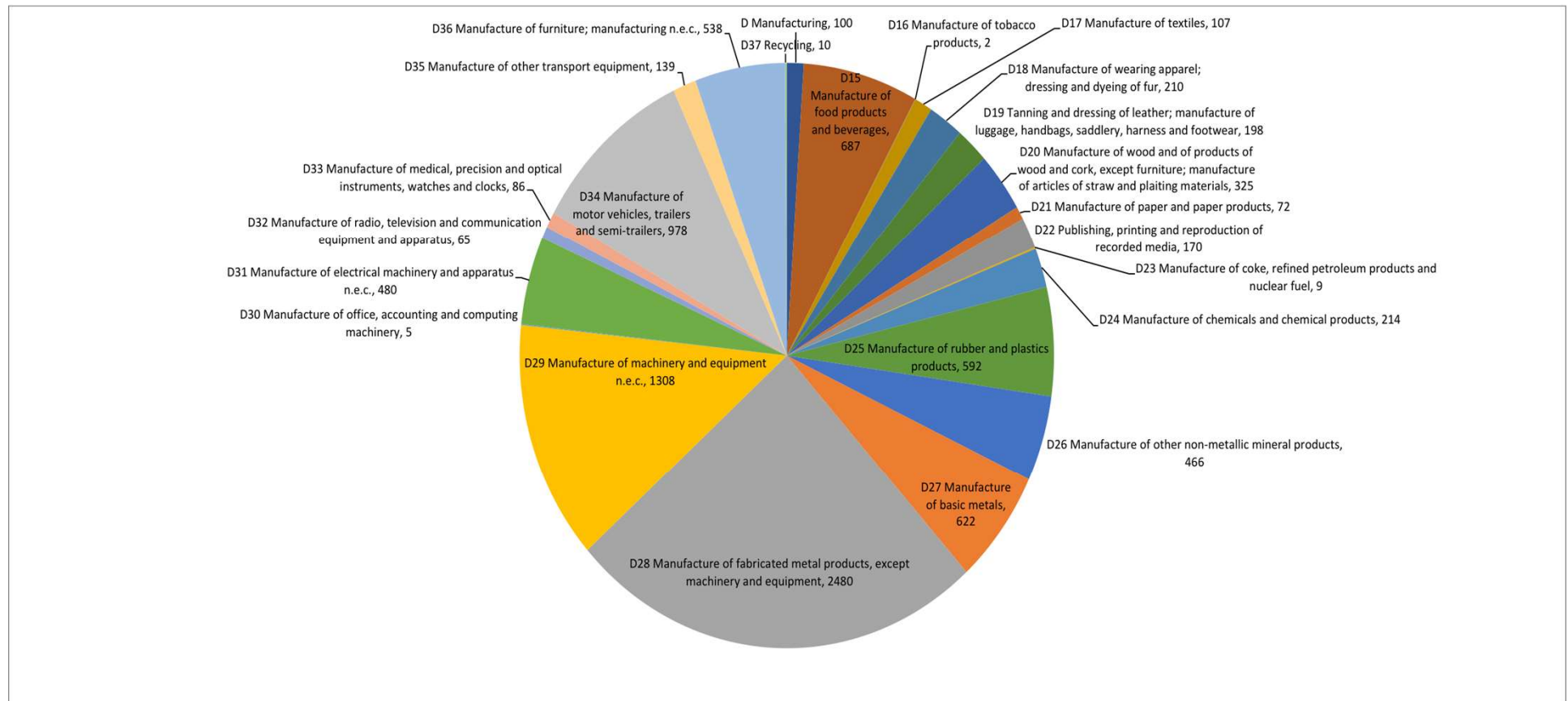


### No of enterprise profiles in respective SPX Centre databases





## SPX profile database disaggregated by manufacturing sub-sector





## SPX Buyer Engagement Process: demand-supply gap analysis

### Demand analysis

**Which specific goods and services would the foreign investor source locally?**

Focus on buyer sourcing strategies, identify barriers to sourcing locally, supplier development potential, assess extent of relocation of international suppliers

### Domestic Supplier assessment

**For which demand is there suitable local supply capacity/availability?**

Understand whether missing linkages stem from information failures, missing existing capacity and present SPX sample with potential to supply buyers

**Does the policy environment promote local linkages?**

Identify policy and/or regulatory constraints that hamper linkages

### Strategic Action Plan

**Which interventions are suited to increase local sourcing by buyers in the short, medium and long term?**

Through the comparison between buyer needs and local firm capacity, enabling environment shortcomings and constraints, determine policy tools and interventions required to improve linkages situation





## SPX Buyer Engagement Checklist

**Type of products/ services are sought by buyers**

- *Bills of Material*
- *Product categorization*
- *Supplier classification*

**Link to suppliers & sectors serviced by SPX**

- *Tier 1 suppliers*
- *Tier 2 suppliers*

**Matchmaking formalization & identification of supplier development needs**

- *Prepare supplier shortlists*
- *Facilitate partnerships for supplier development*



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# SPX Benchmarking

## 950 reports

## 16 country databases

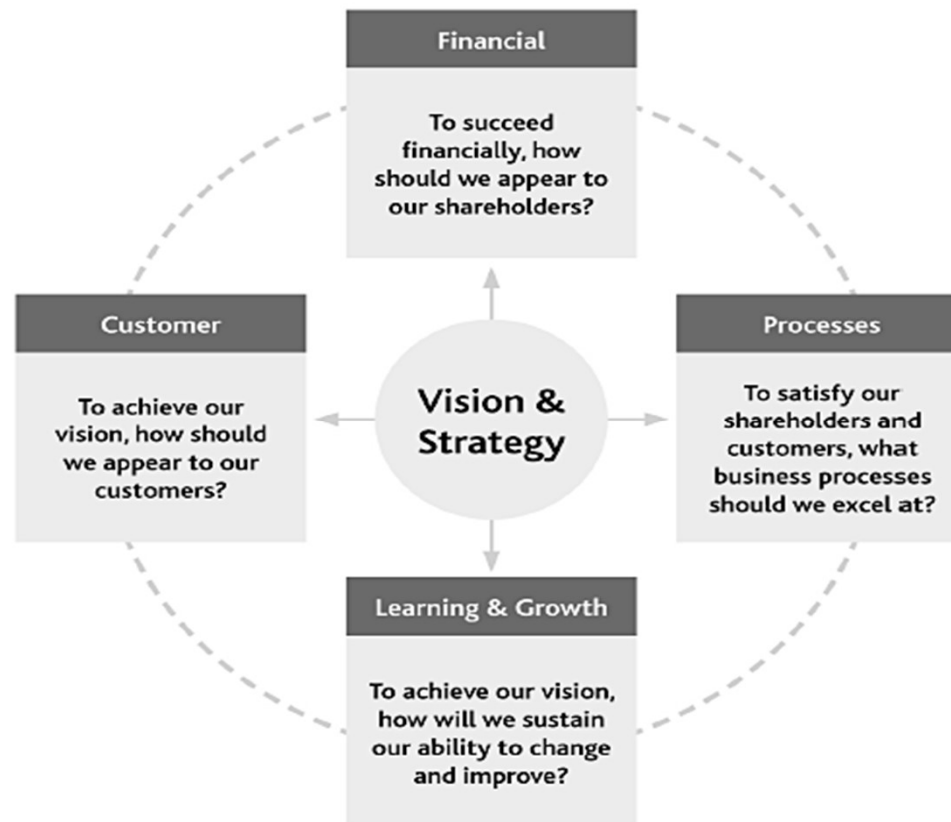


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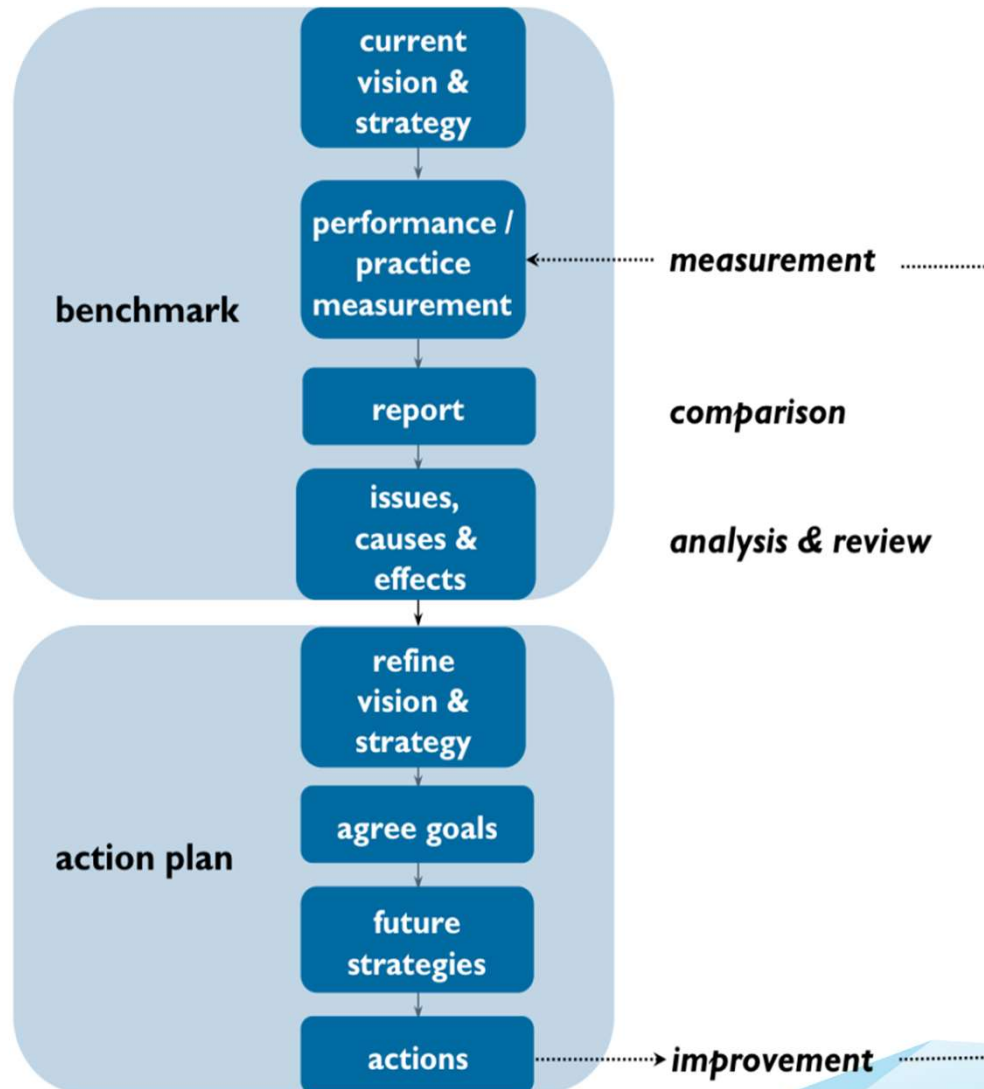
## Balanced scorecard approach - *you can't manage what you don't measure*







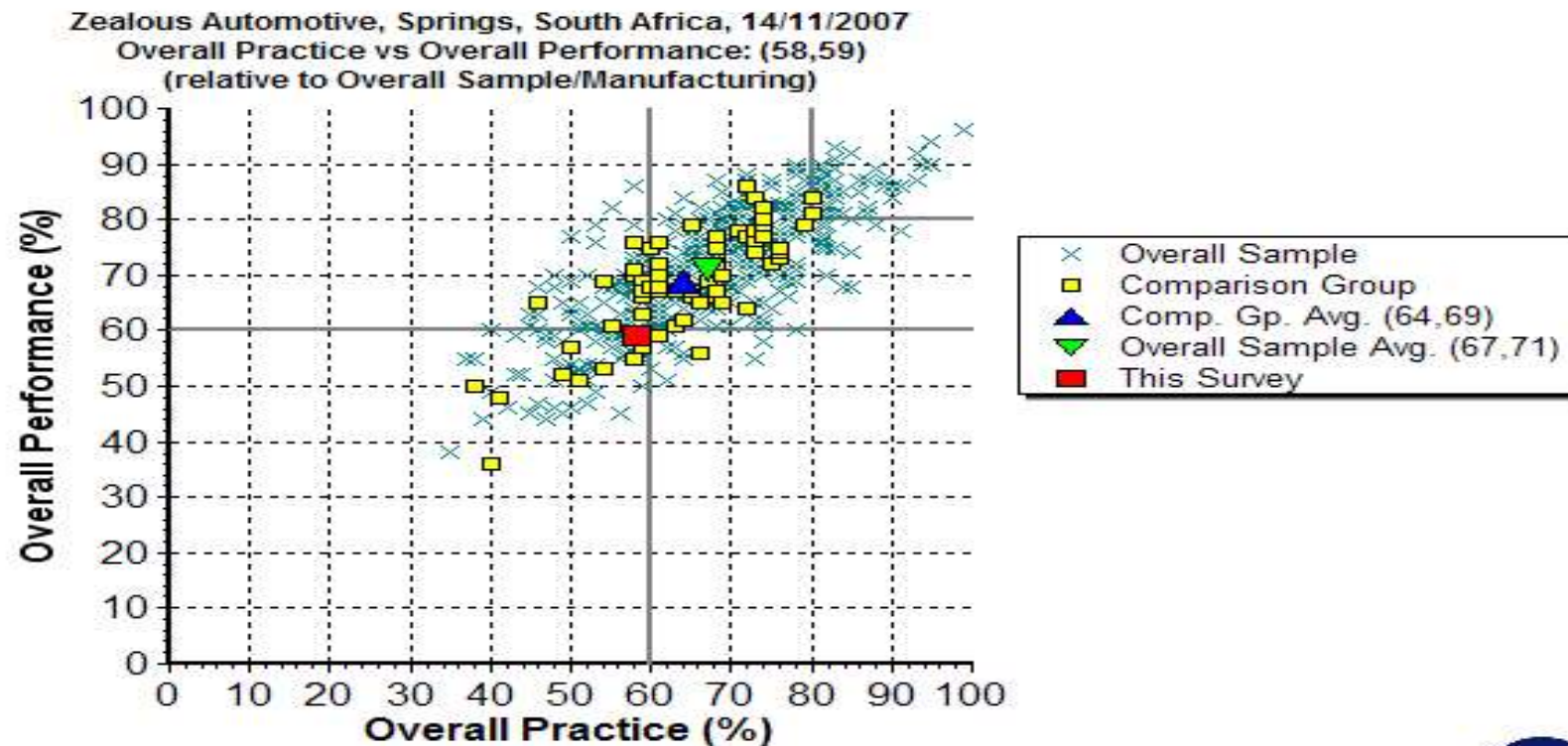
# SPX Benchmarking milestones





## SPX – benchmarking function

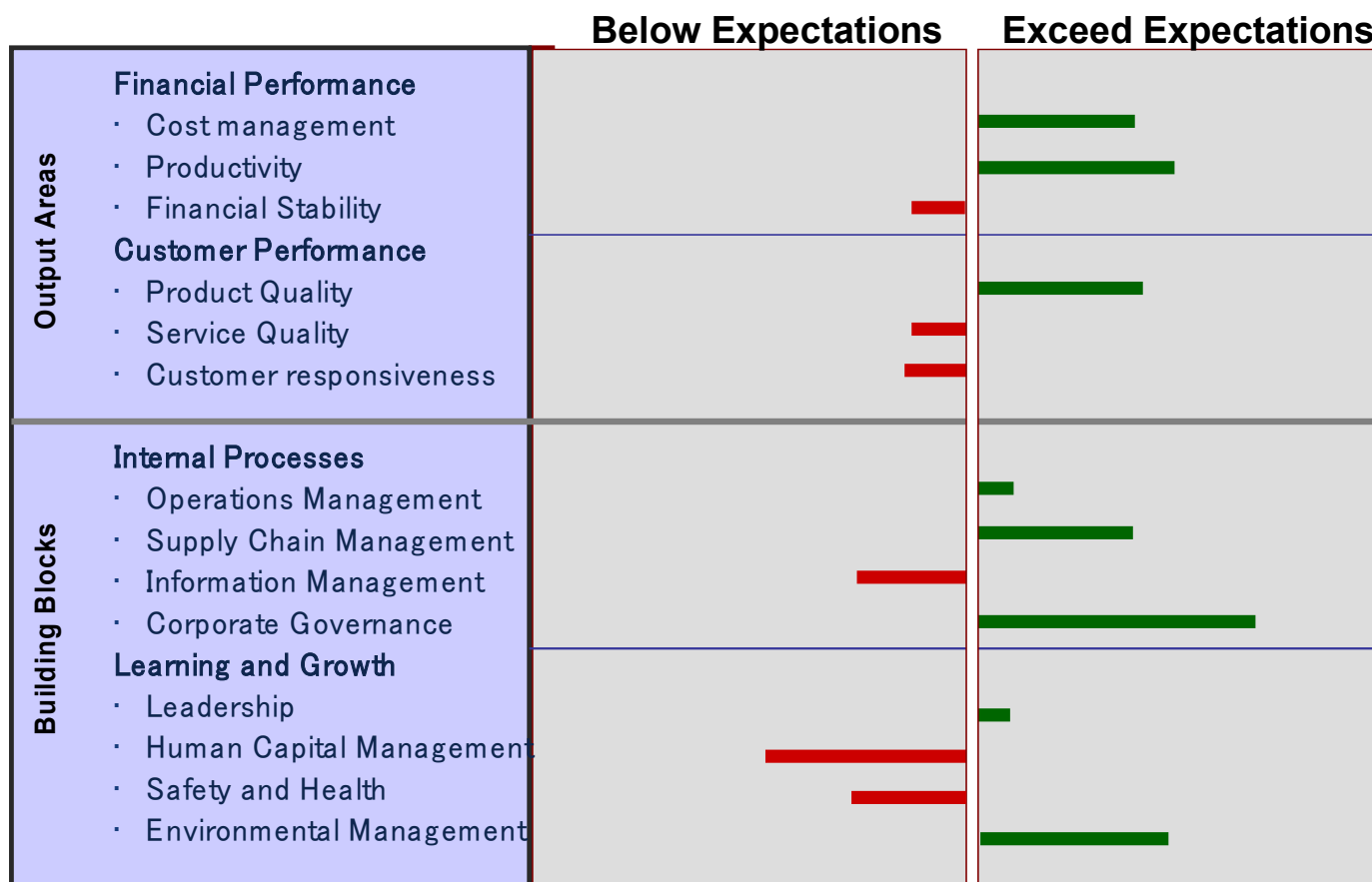
Definition: *Benchmarking is a continuous systematic process for comparing business processes for improvement...*



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Facilitator: Phil Hanson/CIL  
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**Detailed view of how the company rates against buyer requirements  
and the means to address performance gaps**



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# Use of SPX Metrics to measure **Triple Bottom Line** considerations - **Economic, Social and Environmental,**



## Examples of social and environmental KPIs

- **Number of Accidents or Incidents (#)**  
Number of accidents or incidents reported in the Company Accident Book during the last year
- **Annual Energy costs (USD)**  
Annual cost of all energy including oil, electricity, gas and other fuels.
- **Annual Water Costs (USD)**  
Total annual water costs.
- **Waste Disposal Costs (USD)**  
Net costs deduct amounts awarded for waste (e.g. recycling).
- **Scrap (%)**  
Percentage of production output that is scrapped.
- **Training Expenditure (USD)**
- **R & D Expenditure (USD)**
- **Self-assessment on environmental impact (SCORE 1 to 5)**



## SPX Supplier Development

- Enterprise development focus
- Support in enterprise performance and practice matters
- Crucial role of SPX services incl. BM tool
- Process of facilitated referral to national service providers
- Role of industry associations/cluster approach
- Track to measure intervention impact
- SPX links to Buyer Supplier Development Programmes & CSR initiatives





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# SPX Networking for investment promotion





### Lead generation from SPX Participation in Hannover Messe (2016-2018)

*Source of leads (% share in total)*

Participant SPX Centre	Total cumulative no. of enquiries/leads	Institutions/organizations	Buyers/suppliers	Potential investors/business partners
SPX Cameroon*	134	32%	57%	11%
SPX Colombia	47	27%	10%	63%
SPX Iraq*	131	4%	44%	52%
SPX Isfahan	112	23%	21%	56%
SPX Kenya	44	34%	18%	48%
SPX Mozambique*	145	8%	32%	60%
SPX Pakistan	32	17%	52%	31%
SPX Tanzania	24	65%	13%	22%
SPX Xian	52	35%	62%	3%
<b>Grand Total</b>	<b>721</b>			

\* SPX Centres participated in all editions

**SPX** | SUBCONTRACTING  
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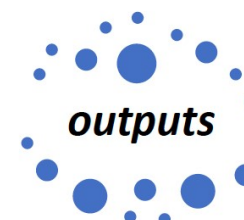
# SPX KPI Monitoring





### Output indicators

- No. of buyers engaged in the SPX Programme since project start
- No. of buyers with whom SPX has an ongoing collaboration agreements
- Total no. of meetings with buyers discussing local content sourcing needs
- No. of buyer opportunity reports /procurement lists generated since project start
- No. of RFIs, RFPs or RFQs generated from SPX engaged buyers
- No. of supplier shortlists presented to specific buyers
- No. of company profiles prepared and uploaded on SPX Profiling Database:
- No. of company profiles kept up-to-date and uploaded on SPX Profiling Database
- No. of companies receiving SPX Benchmarking services
- No. of BM feedback meetings presenting enterprises with BM findings and action plans
- No. of supplier action plans presented and discussed with firms
- Total no. of SPX events organized since project start
- No. of participants to SPX sensitisation events held over time
- No. of specific B2B/matchmaking events facilitated by the SPX Centre since project start
- No. of missions and company outreach in other parts of the country





### Outcome indicators

- No. matchmakings between buyers and suppliers (incl. various level RFI, RFP, RFQ stages)
- No. of ongoing matchmaking discussions between selected buyers and suppliers
- No. of buyers sensitized about existing supplier capacity
- No. of firms in existing buyer supplier pools that have been provided with benchmark
- No. of SME supplier investment/upgrading plans resulting from the SPX BM feedback
- No. of B2B meetings held during B2B events
- No. of subcontracting negotiations following B2B meetings previously held



outcomes



## SPX Impact indicators

### SPX Impact Survey Template

impact

#### Scope

Measure the contribution of SPX Programme services, over time, in terms of:

- *new employment generation or consolidation of existing labour-force,*
- *increases in sales/turnover,*
- *increase in investment*





## List of questions

impact

1. Has the SPX intervention led to new match-making with buyers in the country or abroad? (Yes/No)  
*1.1. If yes, specify the number (#) of new matchmakings generated*
2. Have you signed new sub-contracts and increased your contract volume as a result of services received by the SPX Centre (Yes/No)  
*2.1. If yes, how many (#) new contracts?*  
*2.2. If yes, what is their approximate total contract value (USD ###)?*  
*2.3. If no, can you list some of the main reasons why this did not happen?*
3. Have you increased your sales value in the domestic market as a result of services received from the SPX Centre?

No increase	Increase between 0-10%	Increase between 10-30%	Increase of more than 30%

- 3.1. What is your current sales figure (in USD)?*
- 3.2. What have been your annual average domestic market sales over the period 2014-2017?*



4. Have you increased your sales value in the export market as a result of services received from the SPX Centre?

impact

No increase	Increase between 0-10%	Increase between 10-30%	Increase of more than 30%

4.1. What is your current exports figure (in USD)?

4.2. What have been your annual average export market sales over the period 2014-2017?

5. Have you increased your employment as a result of services received by the SPX Centre?

No increase	Increase between 0-10%	Increase between 10-30%	Increase of more than 30%

5.1. Please provide the latest figure for total no. of employees (2017)?

6. Have you (re-) invested in plant & machinery as a result of services received from the SPX Centre?  
(Yes/No)

6.1 If Yes, what has been the approximate value of this investment (in USD)?



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A large, light blue circular arrow graphic that starts at the top left, curves around the right side, and ends with an arrowhead pointing back to the top left, forming a continuous loop.

# WHAT





# FDI/domestic linkage promotion in Cameroon (1/2)



- **Point of departure:** Many large infrastructure investment projects but no mechanism to let domestic firms participate: Subcontracting and Partnership Exchange (SPX) in Cameroon
- **Objective of the Project:** Provide permanent match-making platform for buyers to source from Cameroonian subcontractors



## BSTP CAMEROUN Bourse de Sous-Traitance et de Partenariat du Cameroun

- Améliorer la compétitivité des PME
- Promouvoir la sous-traitance industrielle
- Développer les compétences



Une vue de la délégation du Cameroun présente au MIDEST 2015







## Example – FDI/domestic linkage promotion in Cameroon (2/2)



- **Results (2012-2016):**
  - Established as Groupement d'Intérêt économique (GIE) with mixed financial sustainability model (revenue and government subsidies)
  - 635 local subcontractors profiled and 151 benchmarked
  - 234 match-makings resulting in 100 contracts successfully signed
  - Very large companies involved: KPDC, SONARA, SCDP, SOGEA SATOM, NPPC



### OUTCOME:

**Total aggregated  
„localized“ contract  
volume > 60m USD  
&  
> 577 jobs created**



SOCIETE CAMEROUNAISE  
DES DEPOTS PETROLIERS



# Subcontracting and investment promotion support by SPX Kenya



**Background:** In support of the country's Vision 2030, of the the SPX Centre became a permanent integrated function in KenInvest's business and development services division complementing domestic enterprise support intervention with the organization's investment promotion mainstream work. SPX Kenya signed an MoU with KIRDI for technological upgrading services to SMEs. SPX plays a critical role in after-care services and investor targeting

## Results (2014-2016):

- More than 250 companies profiled with close to 50 receiving benchmarking services;
- 15 companies identified for technological upgrading services and submitted for support at KIRDI;
- 120 SPX serviced companies involved in FDI-led trade and investment promotion activities;
- 7 matchmakings with Kenyan and Chinese buyers, more than 95 subcontracting opportunities introduced to domestic suppliers



## SME subcontracting support by SPX South Africa



**Background:** SPX South Africa was set up to provide local industrial manufacturing companies access to tools and services that enhance their performance enabling them to access local and global procurement opportunities and strengthen their competitiveness improvement and matchmaking.

### Results (2010-2014):

- 14 Mini-SPX Centres established and partnerships established with 15 other industry associations and agencies
- An SPX database containing in excess of 2000 manufacturers linked to the main government procurement sectors, i.e. rail and utilities
- Some 402 companies across South Africa have been benchmarked, with 174 companies have been referred to formal supplier development interventions
- SPX Centre engaged in approximately 173 buyer meetings with OEMs and
- 63 State-Owned Companies which led to 1459 opportunities investigated, 1560 suppliers have been introduced to an opportunity and value of contracts is approximately 50 million USD



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## SPX Programme in Mozambique



**Background:** SPX Mozambique, hosted in APIEX, formerly CPI, was endorsed by the Council of Ministers to institutionalize work towards assisting local SME supplier development and increasing local content of major FDI groups operating in Maputo and the Provinces of Tete, Nampula and Cabo Delgado.

### Results 2012-2018:

- SPX Mozambique established an extensive network of collaboration with a number of important companies in the country such as Mozal, Sasol, Kenmare Resources, Vale Moçambique, Portucel Moçambique, Green Resources and SAIMEP – SAIPEM.
- 612 companies have been profiled and more than 60 companies have been provided with SPX Benchmarking. Some 130 matchmakings have been registered, facilitating a total subcontracting value of 4.5 million USD in local content with SPX –serviced suppliers, accounting for around 6% of total local expenditure of the country's main foreign-owned companies.



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# Thank you



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