

***UNIDO GLOBAL EXPERIENCE ON  
INDUSTRIAL SUBCONTRACTING AND PARTNERSHIP***

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***INTERNATIONAL CONFERENCE ON  
BUILDING A MODERN AND EFFECTIVE DEVELOPMENT SERVICE INDUSTRY  
FOR SMALL ENTERPRISES***

*organized by the  
Committee of Donor Agencies for Small Enterprise Development*

*Rio de Janeiro  
2-5 March 1999*

**CONFERENCE on  
"BUSINESS DEVELOPMENT SERVICES" (BDS)  
UNIDO GLOBAL EXPERIENCE ON INDUSTRIAL  
SUBCONTRACTING AND PARTNERSHIPS**

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## **"BUSINESS DEVELOPMENT SERVICES" (BDS)**

### **UNIDO GLOBAL EXPERIENCE ON INDUSTRIAL SUBCONTRACTING AND PARTNERSHIPS**

#### **I THEME COVERED AND ITS RELEVANCE TO BDS**

Falling within the service area of "linkages", the proposed paper is focused on lessons learned from UNIDO's program to promote subcontracting and partnership relations of SMEs with large enterprises and among themselves.

The various linkages that the small and medium enterprises (SMEs) can establish among themselves and with large and State-owned enterprises, are essential factors for their growth and competitiveness. The organization of these linkages is crucial both up-stream with the suppliers and sub-contractors, and down-stream with the distribution and marketing channels.

Industrial subcontracting and out-sourcing are modern and efficient ways to organize industrial production. New forms of industrial subcontracting, here called "Industrial partnerships", are based on the complementarity between the large contracting and assembling enterprises and the various specialized subcontractors and suppliers, and on the necessity of involving them from the very early stages of the production cycle (design, testing and prototype). Moreover, SMEs frequently cooperate closely with each other in order to complement their activities within the production cycle, by entering into production associations or clusters and increasingly, through networking arrangements. These new forms tend to become more stable, more lasting with a more equitable distribution of responsibilities (risks and profits) between the various partners. In fact, such subcontracting and partnership linkages enable the SMEs to focus on their field of specialization.

In order to increase the chances of success, these linkages often call for other complementary forms of linkages, such as provision by the main-contractor of special raw materials, specialized equipment, moulds, technical assistance, training, know-how and license agreements; and even in some cases equity participation or joint investments. Here the traditional subcontracting relationship has become a full-fledged partnership.

While large enterprises are geared by their managerial and marketing strategies and mechanisms towards all forms of industrial collaboration with other enterprises, small and medium enterprises are not equipped to promote such collaboration and thus deserve special attention and assistance in this area. It is evident that SMES, particularly in the prevailing context of global out-sourcing, are most in need of support services given their limited expertise in the matter of foreign markets and their generally higher risk-aversion compared to large transnational corporations. Institutional support mechanisms are thus needed that will help them to acquire the necessary information on, and access to, upgraded technology, sources of finance, new markets, foreign licenses etc. and to establish long-term industrial cooperation agreements. It is also SMEs which attach particular value to the neutrality of international organizations as impartial advisers and intermediaries. By contributing to the development of the SME sector, such assistance will also further the overall industrialization process.

As indicated in the UNIDO Medium-Term Plan, 1996-2001, the networking of small and medium enterprises among themselves and with large manufacturing firms, through production linkages, is an indispensable dimension of industrial resilience and competitiveness. In the period covered by the plan, UNIDO will further strengthen and integrate its related services in terms of:

- a. policy analysis and advisory services concerning approaches to bring about and promote local sourcing by large industries;
- b. assistance to small-scale suppliers in upgrading their technical and commercial skills and their capability to meet quality requirements; and
- c. support in building up technical information systems on networking potentials (for example, through SPXs).

Subcontracting, supply and partnership relations between industries of various types and sizes, especially between large and small enterprises, is a feature of every modern industrial economy. Because industrial subcontracting and similar forms of linkages between small and large industries are so complex and so important for the development of the SMEs that act as subcontractors or suppliers, special programs for the promotion of industrial subcontracting, supply chain management and partnerships need to be undertaken.

The object of the UNIDO program is to reinforce the capacity of SMEs in developing countries, as well as countries with economies in transition, to increase their production and employment, to upgrade their manufacturing processes and products, to improve their productivity and international competitiveness, to encourage import substitution and to promote the export of manufactured products from the SME sector.

This program also contributes to the optimal allocation of industrial resources and thus to national industrial growth and integration. At the same time, it contributes to the international redeployment of manufacturing facilities and the transfer of industrial technology and know-how to the SME sector in developing countries.

## **II. THE SERVICE**

### **II.1 Institutional Mechanisms: The Subcontracting & Partnership Exchanges (SPXs)**

Subcontracting and Partnership Exchanges (SPXs) are technical information, promotion and match-making centers for industrial subcontracting and partnership agreements between main-contractors, suppliers and subcontractors, aiming at the optimal utilization (the most complete, rational and productive) of the manufacturing capacities and capabilities of the affiliated industries. SPXs should be organized as non-profit industrial associations run by qualified entrepreneurs. In effect, the Exchanges appear not only as the meeting points and the instruments of regulation between the supply and the demand of industrial subcontracting orders, but also as instruments of assistance to both partners, and particularly the small and medium supplier or subcontracting enterprises.

UNIDO provides technical assistance to developing countries for establishing and operating "Subcontracting and Partnership Exchanges" (SPXs). To this end, it assists in setting up a roster of subcontractors, suppliers and main-contractors. The SPXs act as centers for technical information, match-making and promotion as well as clearing-houses for industrial subcontracting and partnership inquiries and opportunities. They have a number of core functions, including the following:

- The collection, analysis, storage and organization for rapid retrieval of information and data on the existing production capacities and capabilities of industries, especially SMES.
- The identification of subcontracting, supply and partnership inquiries or offers from large foreign or domestic buyers and main-contractors and their dissemination to potential subcontractors/suppliers/partners.
- Assistance to potential subcontractors/suppliers/partners in organizing production clusters and associations and in negotiating agreements with main-contractors, which could be their own Governments.

In addition, as recommended by two UNIDO Expert Group Meetings on "Industrial Subcontracting and Partnership Exchanges and Policies", the new generation of SPXs act as centers of multi disciplinary assistance and information for subcontractors and suppliers, in fields such as:

- Technical support (product design, technology, equipment, innovation);
- Quality management, standards and certification;
- Marketing strategies and analysis (including participation in international fairs and business promotion forums);
- Access to credit, financial facilities and incentives;
- Management (rehabilitation, financial management, stock control);
- Legal advise (legal contracts, codes of conduct, reconciliation or settlement of disputes);
- Human resource management (training).

This assistance and information is provided either directly by the SPX in the form of surveys, advice, training, awareness seminars and industrial fairs, or by referring the enterprises to the relevant specialized institutes.

UNIDO recommends legal statutes and standard terms of reference for the establishment of autonomous Subcontracting and Partnership Exchanges under Boards of Directors (or Management Boards).

Necessary conditions for the establishment of an SPX are: (a) existence of a potential subcontracting market in the country; (b) existence of potential stakeholders who share the principles of the SPX operation; and (c) potential to create a capable and sustainable operation.

## **II.2 Methodology, Tools & Software**

In the framework of its program, UNIDO has been surveying, designing and developing standard instruments and methods for the development of industrial subcontracting, supply and partnership relations. It has been working on:

- Policy issues and industrial legislation;
- Guide on the creation and operation of SPXs

- Computer programs for database management (UNIDOSS) - see below;
- Subcontracting nomenclatures and terminologies;
- Legal statutes for establishing autonomous SPXS;
- Legal guidelines and model contracts for establishing subcontracting agreements;
- Guidelines on the organization of subcontracting fairs;
- Brochures and videotapes for awareness building.

UNIDO has developed a new version of the coherent computer software called UNIDOSS (UNIDO Subcontracting System), which is available in English, French and Spanish. UNIDOSS is protected by a license agreement which is granted free of charge to SPXS established by UNIDO in the context of a technical assistance project.

The basic functions of the UNIDOSS software are:

- The registration of manufacturing capacities and capabilities of industrial companies based on detailed questionnaires and surveys;
- The classification of these companies according to a set of given industrial nomenclatures, such as products, sectors, manufacturing processes and equipment; and
- A search of subcontracting and supplying enterprises according to a very large set of criteria (including an exhaustive analysis of the registered machinery and its technical characteristics) to match them with inquiries from buyers and contractors.

UNIDOSS software also enables printing of targeted mailing and facilitates an organized follow-up of inquiries. In addition, it allows economic analyses to be carried out on specific sub-sectors and areas, on enterprise deficiencies and required remedies, on technological and quality assessments and on investment and marketing strategies.

### II.3 Related Government Policies and Programs

UNIDO also advises Governments on how to create a favorable environment and to develop policies and programs for the promotion of industrial subcontracting, supply and partnership using the following means:

- **Industrial legislation**, including:
  - Incentives to encourage large enterprises to decentralize their production through outsourcing and subcontracting operations (including with "spin-offs");
  - Decrees to improve inter-enterprise credit schemes and terms of payment;
  - Tax regulations to de-penalize the SMEs that act as subcontractors and suppliers;
  - Customs regulations to encourage international subcontracting and outsourcing operations;
- **Public procurement** policies aiming at providing special facilities or access for SMES.
- Appropriate Government policies and programs on "**indigenization**" to promote local sourcing and subcontracting by large national or foreign industries and to negotiate with the latter long-term plans for increasing the local content of products manufactured under foreign license.
- The **international promotion** of capable and reliable subcontractors and suppliers, which is a strong incentive for foreign companies to establish manufacturing facilities in the country.
- **Supply (or Vendor or Partnership) Development** Programs between main contractors and groups of subcontractors and suppliers, for upgrading their technical and commercial skills and their capacity to meet quality requirements.

### **III. THE OUTREACH OF THE PROGRAMME (Table I)**

Since 1984, some 54 SPXs were established with UNIDO assistance in 30 countries.

In Latin America 32 SPXs have been created in 14 countries, applying a common methodology. Moreover, a regional Latin American network among these SPXs has been created, enabling the participating countries to benefit from the complementarities and synergies created by such an extensive network (ALABSUB - "Asociación Latino Americana de Bolsas de Subcontratación"). To date a total of 12 joint Subcontracting Exhibitions ("Subcontrata Latino Americana") has been held since 1991 in the participating countries. A similar SPX and regional cooperation network has been established in the Arab region (Algeria, Egypt, Jordan, Tunisia, Morocco). More recently the program has been expanding to a number of economies in transition as well as to a number of Sub-Saharan African countries.

In total approximately US\$7.5 million of technical cooperation funds have been spent since 1984. Of the 54 SPXs established, a total of 45 is currently operating (Rate of survival : 85%) . The total number of companies registered in these SPXs is more than 15,588. The attached Table I also reflects the recognition that there is a strong correlation between the level of economic development and the size of subcontracting opportunities in a given country. In terms of sub-sectoral coverage, the industrial sectors where subcontracting is most important are metalworking industries, the mechanical, electrical and electronic industries, plastic and rubber. Furthermore, subcontracting in industrial services is becoming increasingly important

### **IV. SPX FREQUENTLY ASKED QUESTIONS**

The following is a list of questions most frequently asked about Subcontracting and Partnership Exchanges.

- 1 . WHERE to set-up an SPX? (The institutional set-up of the SPXs)
2. HOW to finance and manage a SPX? (The modalities of financing and management of the SPXs?)
3. WHICH services are offered by SPXs?
4. WHAT are the minimum staff requirements for SPXs?
5. WHAT are the premises, the facilities and the equipment required'?
6. WHO are the clients/end-users?
7. HOW LONG do SPXs live?
8. WHAT are the main Industrial Sectors covered by SPXs?
9. WHAT results should be expected from a SPX?

10. An example, please?
11. HOW good do the SPXs perform?/The impact
12. WHAT would be covered by a UNIDO Project for establishing a SPX?

#### **IV.1. WHERE to set-up SPXs? (The institutional set-up of the SPXs) (Table II)**

Let us recall that an SPX is first of all a non-profit manufacturers association enjoying full autonomy, but supported/sponsored by public authorities and professional organizations, run by a team of qualified engineers specially trained for this purpose.

Experience has shown that SPXs incorporated in Ministries of Industry and public organizations are monopolized by the State, cut-off from their industrial basis and hence bound to disappear. The formula of hosting the SPX in a Ministry or public organization should be considered only as a transitory start-up stage before being transferred to the private sector, preferably on an autonomous basis.

SPXs incorporated in private sector institutions such as Chambers of Commerce and Industry, Federations of Industry, Professional or Manufacturers Associations, can survive, when accorded the necessary recognition and operational autonomy. They are then considered as a specialized service provided by the Chamber or Federation to its affiliated/member companies.

But the full autonomy of SPXs is the most sustainable form of institutional set-up, It is then an industrial association with an autonomous budget and operational structure, managed by a Board of Directors (or National Council) which should be composed of the representatives of all the public and private sector organizations/institutions/associations which are involved in, or interested by industrial subcontracting, supply and similar forms of inter-industry linkages. In addition, the affiliated enterprises themselves should also be largely represented in the Board and possibly even take the leading role.

For this reason, UNIDO has proposed standard "Legal Statutes for establishing an autonomous SPX", as a standard instrument, to achieve the required sustainability of the SPXs.

#### **IV.2 HOW to finance and manage a SPX? (The modalities of financing and management of the SPXs?) The degree of Sustainability (Table III)**

Here also, experience has shown that when the funds are provided exclusively by one source of financing, the SPX dies. A SPX financed exclusively by the Government becomes a Government department and is quickly isolate from its industry basis. The same applies for SPXs fully subsidized by international aid programs.

On the other hand, a SPX financed exclusively by the affiliated enterprises, under the false assumption that it is a profit-making activity, will soon be superseded by other activities which generate more profit and will abandon the specific activities related to subcontracting promotion (which is not by itself a profit-making activity).

Therefore, in accordance with the tripartite participation proposed for the Board of Directors and with the Legal Statutes proposed by UNIDO for autonomous SPXs, the financing proposed should include:

- A. State or public institutions, in recognition of the contribution to the national economy (at least 10% of the budget, ideally not more than 50%)
- B. Professional Association/industrial Federations, in recognition of the contribution to the development of the private sub-sectors of industry (at least 10% of the budget);
- C. The affiliated enterprises themselves, in recognition of the contribution to their own productivity, competitiveness and growth (affiliation or registration fees should amount to at least 10% of the budget);
- D. In addition, SPX s should provide various fund-generating services (to non-members as well as members) such as:
  - Participation in industrial subcontracting/supply fairs and business fora/meetings
  - Training seminars and conferences
  - Marketing surveys and missions (national and international)
  - Sectoral studies on investment requirements and incentives
  - Technology and quality (ISO 9000) audits and assistance
  - Legal assistance in relation with contracts, fiscal matters, etc.

But the SPXs should not receive commissions on contracts awarded. A success fee, no matter how desirable, remains a difficult proposition to implement, as firms are not always willing to disclose the business achieved, or may lead the SPX to put priority on big prospective contracts and leave aside smaller operations.

### **IV.3 WHICH services to be offered by SPXs?**

The SPX should provide a range of services in different functional areas.  
The services could be grouped under five major themes:

#### **A. Data base**

The SPX should establish, maintain and regularly update a comprehensive computerized data base of industrial enterprises in the country, according to internationally accepted terminologies and procedures. This information service should be made available to domestic and foreign main-contractors and clients interested to examine subcontracting and partnership opportunities.

#### **B. Match-making**

The SPX should promote, collect and analyze incoming inquiries from main-contractors or client enterprises for subcontracted products, services, supplies and industrial co-operation, by identifying and selecting the suitable companies.

The SPX should also process incoming requests for know-how, technical co-operation and partnership agreements from local subcontractors and suppliers trying to identify domestic and foreign potential partners.

#### **C. Promotion**

The SPX should promote, through any relevant channel, products and services of local companies capable of acting as reliable subcontractors or suppliers for suitable markets.

In this respect the SPX should:

- Organize the participation of groups of subcontractors/suppliers in specialized fairs.
- Arrange for meetings and presentations with potential customers.
- Design, produce and disseminate promotional documentation and audiovisuals.
- Mailing and direct marketing campaigns and promotional initiatives for specific ranges of products and services.
- Publicize the national subcontractors/suppliers on the global market through the extensive use of the opportunities offered by the information technologies (i.e. creation of Web site dedicated to the SPX and the subcontracting companies).

#### D. Consultancy

The SPX should provide advisory services to enterprises on issues specifically relevant for industrial subcontracting and partnership, such as product and process innovation, interpretation and application of international standards and certification procedures, costing, marketing, assistance on technology transfer and legal agreements between main- and subcontractors.

Additionally, sectoral studies and market surveys should be regularly conducted to explore potential areas and market niches for the development of subcontracting and partnerships relations.

#### E. Training

The SPX should identify critical areas for training of subcontracting personnel and organize seminars, study tours and courses to disseminate advanced management techniques and methods specifically relevant for subcontracting and partnership, such as industrial costing, marketing for purchasing, value analysis, product and process innovation, technology transfer and legal agreements between main- and subcontractors.

### **IV.4 WHAT are the minimum staff requirements for SPXs?**

- One Executive Manager, an industrial engineer with an MBA, (with 9 years of experience)
- One/two graduate industrial engineers (with 5 years of experience)
- One/two secretaries/typists (bilingual) (with 2 years of experience)

The SPX staff should be able to respond with precision and rapidity to requests from industry, provide reliable solutions, propose new alternatives and practical innovations. Accordingly, the SPX staff should receive remunerations and career development prospects which are conform to their professional qualifications and experience, otherwise they will be offered more attractive (and better paid) jobs and will leave the SPX after having received an excellent training (both on-the-job and formal) and exposure to the needs of industry.

#### **IV.5. WHAT are the premises, the facilities and the equipment required?**

The SPXs will have three furnished offices and one meeting room within the host institutions, at least two personal computers, Internet and e-mail connection, photocopy machine, two or three telephone and fax lines. In addition, at least one vehicle should be made available to the SPX for the plant visits.

#### **IV.6. WHO are the clients/end-users?**

Each SPX will provide a complete range of services to small and medium industrial sub-contractors and suppliers in the respective countries and will provide information services to large domestic and foreign enterprises acting as main contractors or purchasing enterprises as well as to other SPXs, Chambers of Commerce and Industry, Federation of Industries, Industrial Promotion Agencies, Foreign Trade Offices, etc. operating in the sub-region and worldwide-

#### **IV.7 HOW LONG do SPXs live?**

SPXs are like enterprises: they live and they die, Some have a very long life, (some of the first established in 1960s are still alive) and some die after a few years, Others can be re-born and have a second life after 10 or 15 years.

Some argue that the SPXs have fulfilled their temporary functions and can disappear when all industrial enterprises of the area covered by the SPX, come to know each other. This may be correct in some cases, but usually it is not, because:

- 1 the manufacturing facilities and capacities of the enterprises keep changing all the time;
- 2 new enterprises with new technologies and processes enter into the market and are willing to undertake operations under subcontract;
- 3 new export markets become accessible through the SPX (In 1997, on average, more than 44% of the inquiries received by SPXs were from foreign companies);
- 4 new forms or enterprise collaborations appear (partnerships, strategic alliances, market and license agreements, etc.) for which the SPX can play a unique and privileged role;

Therefore, the Flexibility or Adaptability of SPXs to changing conditions and environment are a critical condition of their survival or sustainability.

#### **IV.8. WHAT are the main industrial Sectors covered by SPXs?**

The industrial sectors where subcontracting and supply chain management applies are, by ranking order of importance: (a) the metal-working industries; (b) the mechanical, electrical and electronic engineering industries (it is well known that the whole manufacturing process in the automobile, the electronics and aeronautics industries relies on subcontracting); as well as the (c) plastic and rubber industries- (d) the textile and leather industries, and to a lesser extent (e) the wood-working, ceramics, glass and chemical industries. Furthermore, subcontracting in industrial services is becoming increasingly important (repair and maintenance, testing and quality control, financial accounting, computer services, R&D, marketing, packaging, transportation, etc.). Therefore, newly set-up SPXs should start operating in the (a) metal-working and (b) engineering industries and progressively to the other industrial sectors (from (c) to (f)) as the SPX strengthens its overall capacity to fulfill its functions and enlarge its participating industries.

#### **IV.9. WHAT results should be expected from a SPX?**

Results expected by a SPX performing (normally) well, after a three year take-off period, could be estimated at least as follows.-

- 500 enterprises visited and registered with the SPX (an additional 100 per year up to 700 - 800 enterprises)
- 200 successful interventions (or consultations) per year (successful means at the satisfaction of the main-contractors)
- 50-100 national contracts concluded per year (worth approximately US\$ 3-8 million)
- 25-50 international contracts concluded per year (worth approximately US\$ 2-5 million)

#### **IV.10. An example, please?**

In the early 80s', an SPX was established in Lima, Peru, with the assistance of UNIDO within the "Sociedad Nacional de Industrias" (SNI), and served as one of the pilot SPXs in Latin America. After 6 years of existence, the **Lima SPX** gained momentum and appeared already as a dynamic example: more than 2000 enterprises were visited; 885 of these enterprises were affiliated to the Lima SPX; around 1570 successful interventions were registered (at the satisfaction of the main-contractor); around 1290 national contracts were concluded (worth approx. US\$ **66 million**); and around 285 international contracts were concluded (worth approx. US\$ **27 million**).

#### **IV.11. HOW good do the SPXs perform? Impact (Table IV)**

**The ultimate indicator** of achieving the purpose of establishing and operating an SPX is a contract resulting from its match-making facilities. Figures provided by the Exchanges for 1997 are included in Table IV and show the business results achieved through the intervention of the SPXs.

However, it is generally recognized that it is impossible for the SPXs to obtain comprehensive and up-to-date information, and sometimes even any information at all, on the contracts concluded and their value, for reasons of confidentiality, because firms are usually not willing to reveal certain aspects of their business activities or those of their clients. (That is why the columns Nos. 6 and 7 of Table IV are only 50% completed). It should also be noted that, from an evaluation made upon completion of a regional project for "The Promotion of Industrial Subcontracting and Partnership between France and Arab countries", it takes a long time (1 to 3 years) for a project to mature. This evaluation also revealed that only a small proportion (9%) of those projects under negotiation are actually concluded.

As a matter of illustration, a survey conducted in 1994 indicated that, on average, 80% of the companies registered in SPXs had been consulted at least once during the year, and that 40% of these consultations had resulted in a signed contract; thus, **on average, 37% of the companies registered in a SPX had concluded a contract in 1993**. A similar survey conducted on 1997 results, as contained in Table IV, indicate that, on average, each registered company in a SPX had been consulted at least twice (219%) in the course of the year, and that 21% of these consultations had resulted in a signed contract; thus, **on average, 66% of the companies registered in a SPX had concluded a contract in 1997**. However, as mentioned above, the results are not fully significant since they are based on 50% of the replies.

Most of the inquiries made to SPXs are generated through:

- organization and **participation in fairs** (showing available subcontracting capabilities or - reversibly - displaying the requirements for the manufacturing of parts by large contractors);
- **personal contacts** (staff of SPX visiting plants and establishing data bases on industrial capabilities to facilitate match making);
- **awareness building** through conferences, seminars, workshops;
- **market analysis** and research and supply development programs by the SPXs for large main-contractors and clients.

#### **IV.12. WHAT is covered by a UNIDO project for the establishment of a SPX?**

UNIDO assistance in establishing SPXs through technical cooperation projects involves:

- a. short-term specialized expertise in all aspects related to the SPX (institutional, operational, management, computerized software, enterprise auditing, marketing & fairs, legal aspects, etc.),
- b. specialized and on-the-job training,
- c. applying the whole package of UNIDO methodology and tools,
- d. participation in international fairs and business meetings, and
- e. networking with other SPXs and industrial promotion agencies.

A comparison of the financial estimates shows that UNIDO's initial contribution in technical co-operation (initial investment in a standard project of US\$200,000) is rapidly transformed into an effective and profitable promotion of industrial development in the country.

#### **V. CONCLUSIONS**

As a result of UNIDO's long and well-established experience in relation to this program as described above, and as illustrated in the "Practical Case Studies on Industrial Subcontracting and Partnership" (this publication is available on request) conducted by UNIDO SME Branch in 1997 on selected national and international agreements in 14 countries, one can conclude that :

1/ Industrial subcontracting and supply chain management, including the associated supply development and up-grading programs, are recognized as **major instruments for the development of the SMI sector**, and as an efficient tool to increase both industrial production and employment in the SMI sector, to increase the rate of utilization of installed industrial capacities and of existing specialized skills, to produce better quality products at a reduced cost, to contribute to a reallocation of industrial resources, and thus to an overall industrial growth and integration;

2/ Subcontracting and Partnership Exchanges (**SPXs**) **play an instrumental role** in the promotion of long lasting industrial subcontracting, supply and related industrial partnership agreements. In the Evaluation Report completed by UNIDO Evaluation Section in 1996 on this particular program, it was even acknowledged in the first paragraph of its' executive summary, that the SPXs are the most appropriate institutional mechanism to promote these industrial linkages which do not occur spontaneously. And when established according to the principles and conditions defined by UNIDO in its' technical assistance projects, these SPXs are cost-effective and sustainable instruments with direct and practical impact on industry.

3/ The globalization of the economy fully applies to industrial subcontracting and

supply chain management, since enterprises are now searching for **outsourcing and supply opportunities world-wide**, in almost all sectors of industry and services, in a constant search for increased productivity and competitiveness, as evidenced by an ever increasing share of subcontracting and supply relations within international trade flows. Through this program, UNIDO's ultimate aim is to encourage and support modern industrial linkages to further economic development on a global basis.

**Attachments:**

- Table I:           Number of SPXs established and countries covered
- Table II:          Institutional set-up of SPXs (operational sustainability)
- Table III:         Source of Finance of SPXs (financial sustainability)
- Table IV:         Performance or Impact of SPXs based on 1997 Results;