



**UNITED NATIONS CONFERENCE  
ON TRADE AND DEVELOPMENT**



**International Chamber of Commerce**  
*The world business organization*

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## **Memorandum**

### **Request for case studies on linkages in your supply chain in developing countries**

*UNCTAD's World Investment Report 2001* will examine the issue of linkages between foreign affiliates of multinational enterprises and local companies in developing countries. Backward linkages, i.e. long-term business relationships between affiliates of multinational companies and local suppliers, can be of mutual benefit for both partners. It is therefore of interest how such linkages can be strengthened through market-friendly policies.

In order to reflect the actual experiences of multinational companies on linkages in the *World Investment Report 2001*, we hereby jointly call on these companies and their affiliates to prepare brief case studies on linkages in developing countries. The terms of reference for the case studies, as well as a prototype case study by a participating company, are attached.

The case studies should describe the kind of linkages foreign affiliates of your enterprise have, how they have worked, what obstacles were encountered and, in particular, what policy measures, if any, could help to strengthen them or create new ones.

The information, which should be provided by your company's affiliates in developing countries, will be used in order to identify best practices in the area of linkage formation. The focus is on industries for which linkages play an important role.

Efforts by multinational enterprises to forge linkages and to become better integrated in the local economies fall within the broad area of efforts outlined in the *Global Compact Initiative* launched by the United Nations Secretary-General, Kofi Annan.

The case studies should be returned to ICC via your ICC National Committee\*; the information will be kept confidential if so desired. This material is also available at UNCTAD's WIR web-site at [www.unctad.org/wir](http://www.unctad.org/wir).

Attached:           Terms of reference  
                          Prototype case study

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## TERMS OF REFERENCE

### Case studies on Linkages in your supply chain in developing countries: experience and the role of policies

Both countries and firms may have an interest in fostering stronger linkages between foreign affiliates and local enterprises. UNCTAD's *World Investment Report 2001 (WIR01)* will examine this issue and, in this regard, will want to draw on the experience of multinational enterprises. Foreign affiliates are therefore encouraged to provide concrete and concise case studies of backward linkages between foreign affiliates and local enterprises.<sup>1</sup> What kind of measures undertaken by foreign affiliates have worked/not worked and why? What kind of concrete measures has the host country government undertaken that have successfully, or unsuccessfully, been used to create or deepen local linkages? The information should be provided by foreign affiliates and will be treated strictly confidential if desired. Each study should cover examples of how linkages were either *created* or *deepened*.

#### Coverage

- **Linkages.** To what extent and how have foreign affiliates actively participated in, and supported efforts to stimulate linkages, of the kind mention below, with existing and/or potential local partners? Please describe as concretely as possible the nature of existing linkages. For example, the foreign affiliate may have:
  - helped prospective suppliers to set up production facilities (e.g. identifying sites in the proximity of the buyer);
  - provided technical assistance to upgrade the partner's activities (in terms of quality, standardization, delivery systems, etc.) and/or to facilitate innovations;
  - provided technology (blueprints, product design, etc.);
  - assisted in the purchasing of inputs (raw materials, components, bidding, pre-finance);
  - provided training in production functional activities (e.g. management, organization, quality control, flexibility, just in time delivery systems, etc.);
  - assisted in human resource development (e.g. executive programs, technical training, etc.);
  - assistance in the area of information and communication technology, e-commerce, etc.;
  - provided information (e.g. on future demand requirements, market trends, etc);
  - assisted suppliers in finding new customers (e.g. in export markets, to other parts of the TNC network, etc.);
  - provided financial assistance of some kind (seed finance, etc.).
- **The role of the government.** What *concrete* measures *has* the government (at all levels) undertaken in order to stimulate the creation or deepening of local linkages in your industry/activity? To what extent, and how, have they been helpful/not helpful? What concrete measures *could* the government take to stimulate increased and deeper backward linkages?

**Deadline:** 28 February 2001.

**Length of report:** Each case study should be about 2-3 pages in 1 ½ spacing (see attached example).

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<sup>1</sup> For the purpose of these studies, backward linkages refer to *long-term relationships* between foreign affiliates of TNCs and locally owned firms in the same country. Linkages do not include "off-the-shelf"-buying relations between buyers and sellers, or joint ventures or other equity relationships. They may involve, e.g., contractual arrangements for procuring inputs for further processing by foreign affiliates or subcontracting the production of final or intermediate products for marketing or distribution by foreign affiliates, and the various relationships that the parties find it necessary or mutually beneficial to enter into for fulfilling those arrangements.

## Case study model

Company name	
Host country	

### Linkages with local suppliers

Linkages with local suppliers exist in the following areas: [e.g. subcontracting, tooling and fabrication, equipment service support, transportation and packaging, operating supplies, construction and infrastructure support, information technology supplies].

What is required from local companies in order to enhance the possibilities of becoming suppliers to your company?

Through its linkages with local suppliers our company has provided the following kinds of services or benefits to the local partner: [see examples in the terms of reference].

### Describe in more detail one or two ways in which the company has acted to either deepen existing linkages or create new ones

- Describe the approach in greater detail.
- How has the foreign affiliate contributed to strengthening the relationship?
- What has worked/not worked?
- In what sense has the company's approach been successful?

### The role of the government – experience to date

In the context of the detailed information given above, please describe the kind of policy measures (if any) that the host country government has undertaken that have been helpful to your company in creating or deepening linkages. As *concrete and specific examples* as possible would be appreciated.

### Desired role of the government in terms of specific measures

What *concrete and specific* initiatives (if any) from the host country government would be desirable in order to facilitate more linkages between your company and local suppliers? How would the measure be helpful? Please also mention *specific* policy measures used today (if any) that represent an obstacle to linkage creation.

### Overall policy of the company

Does your company have an explicit policy to encourage linkage formation? If so, what are its main ingredients? [E.g. careful selection through auditing of supplier capabilities, evaluating commitment of management, training and other forms of human capital development programs, mentorship, e-commerce program, working out road maps, technology sharing].

### Main perceived obstacles to the formation of local linkages

The main obstacles for Company X to forge linkages are [e.g. global sourcing policy, lack of interest by local firms, lack of potential suppliers that match capability and quality requirements, lack of information on prospective partners, lack of institutional support, etc.]