



## **Webinar report: Supplier development programmes: A key to facilitating FDI and development impact**

The webinar on “*Supplier development programmes: A key to facilitating FDI and development impact*” took place on 31 March 2022, from 15:00 to 16:00 Geneva time. The webinar was co-organised by the International Trade Centre (ITC), the German Development Institute/ Deutsches Institut für Entwicklungspolitik (DIE), the World Association of Investment Promotion Agencies (WAIPA), and the World Economic Forum (WEF), and was held in the framework of the Investment Facilitation for Development [project](#), jointly implemented by the ITC and DIE.

Opening remarks were made by Rajesh Aggarwal, Director (oic), Division for Market Development, ITC. The webinar was moderated by Karl P. Sauvant, Resident Senior Fellow, Columbia University, CCSI, and included the following speakers: Ivan Anton Nimac, Global Lead, Investment Policy and Practice, World Bank Group; Thuy Nguyen, Vietnam Industry Agency, Ministry of Industry and Trade, Vietnam; Markus Thill, President, Africa, Robert Bosch; and Bernardo Calzadilla-Sarmiento, Managing Director, Directorate of Digitalization, Technology and Agri-Business, and Director, Department of Digitalization, Technology and Innovation, United Nations Industrial Development Organization (UNIDO). Concluding remarks were provided by Matthew Stephenson, Head, Investment Policy and Practice, World Economic Forum.

The webinar programme is annexed to this report.

### **Discussion highlights**

The discussions during the webinar focused on the following points, which are further elaborated upon below.

- Supplier development programmes are a key investment facilitation measure as they increase the availability of qualified local enterprises that can contract with foreign affiliates and become part of their supply chains. This is particularly important as global supply chains have come under stress and need to be strengthened. From an investor’s perspective, having domestic suppliers at the right quality, price and quantities is crucial for locational investment decisions.
- Supplier development programmes are an investment facilitation measure that directly increases the development impact of foreign direct investment (FDI) in host countries by upgrading domestic firms, which are often small and medium-size enterprises (SMEs), and linking them to global value chains.
- Since the availability of capable domestic firms that can provide inputs for foreign affiliates is (1) a key factor facilitating incoming FDI and (2) directly increases the development impact of incoming FDI, supplier development programmes should be encouraged in the IFD Agreement.

## **I. Supplier development programmes as a key investment facilitation measure**

Supplier development programmes are a key investment facilitation measure. These programmes increase the availability of qualified local enterprises that can contract with foreign affiliates and become part of their supply chains; they are especially important in times when global supply chains are under stress and need strengthening. Supplier development programmes should enable local suppliers to provide inputs to foreign affiliates at the quality, price and quantity that foreign affiliates need to be competitive in international markets.

From an investor's perspective, having domestic suppliers that can provide inputs at the right quality, price and quantities is crucial for locational investment decisions. In a survey undertaken by the World Bank, 75% of business executives confirmed that the capacity of local suppliers was the most important factor in fostering linkages. In addition, 60% of the respondents suggested that governments should take a proactive role in upgrading local suppliers.

Supplier development programmes aim at upgrading and strengthening local firm capabilities to meet FDI sourcing requirements and to improve the competitiveness of operations. Accordingly, they usually include assistance in a range of areas, including: business strategy, resource allocation, new equipment or technology acquisition, financing, improving productivity, and adapting to international production standards, and attaining certifications. In addition, given the pivotal role of multinational enterprises (MNEs) in reorienting supply chains to meet new industry trends, as in the areas of green FDI and digitalisation, supplier development programmes can help domestic suppliers adapt to these requirements to remain competitive in the future.

Supplier development programmes will be more impactful if they are competitiveness-oriented and focus on working with local firms that provide inputs that are relevant to the needs of foreign investors. It is important to note that, even when focused support is provided, supplier development programmes cannot reshape comparative advantages nor create new demand; market factors cannot be artificially created. Accordingly, governments should identify key competitive sectors within the economy and focus efforts in these areas.

It is important to involve foreign investors in constructing supplier development programmes to ensure that the programmes address market needs. The engagement of local suppliers in the construction of these programmes is also important for understanding capacity limitations and barriers. The engagement of foreign investors and local suppliers in the process of developing supplier development programmes also helps networking and relationship building between the parties. The competent agency in the government that is responsible for the establishment of these programmes can also hire experienced supply chain experts with industry experience who can work with both investors and local SMEs on a technical and business-opportunity-focused level.

Social and environmental compliance is becoming a crucial vector in MNEs' construction of their global supply chains, which includes growing requirements for supplier due diligence such as the French Corporate Duty of Vigilance Law and the recent EU directive on corporate sustainability due diligence. Accordingly, as part of any supplier development programme, sustainability aspects have to be on the agenda for training and upscaling local firms. Sustainability aspects can include global quality and standards programmes that would enable suppliers to connect with international markets while ensuring quality and social compliance requirements. Such programmes should also include the integration of corporate social responsibility standards in local supplier operations, such as working conditions, inclusivity standards and environmental sustainability. In addition,

supplier development programmes should aim to ensure the inclusion of women-led enterprises. It was also indicated that upgrading local suppliers to include sustainability aspects in their operations gives local suppliers a competitive advantage when tendering for foreign business given both requirements and preferences of MNEs to operate sustainably.

*Supplier development programmes – Vietnam case study:* It was emphasised that supplier development programmes in Vietnam were established as an investment facilitation measure to retain foreign investors, who were leaving Vietnam due to a lack of qualified local suppliers. To construct supplier development programmes, Vietnam worked with foreign investors to identify the gap between local enterprises and the requirements and needs of foreign investors. In addition, timeframes for progress and the evaluation of local enterprises following participation in development programmes were established. The initial programmes were two-year programmes. Working on the supplier development programmes with MNEs also assisted in connecting them to local suppliers.

## **II. The importance of supplier development programmes for increasing the development impact of FDI**

Supplier development programmes not only facilitate FDI, but also directly increase the development impact of such investment by strengthening the domestic enterprise sector, the bedrock of sustainable economic development, especially in developing countries. Linkages between local suppliers and foreign investors have the potential of increasing local employment and skills, lead to technology transfer and improved capital provision for local SMEs, as well as both product and process upgrading. Such linkages also help local firms integrate into global value chains.

## **III. Including the establishment of supplier development programmes in the IFD Agreement**

The current draft text of the IFD Agreement includes a provision on the establishment of domestic supplier databases that link local suppliers to foreign investors. However, while this bridges information asymmetries, it does not solve the basic problem of local firm capacity. In order to build the capacity of domestic firms to contract with foreign investors, and thereby benefit from incoming FDI, supplier development programmes should be established to strengthen local firm capabilities. This would also increase investor interest and comfort in that market and therefore likely FDI flows.

The establishment, implementation and operation of supplier development programmes are resource and knowledge intensive. Supplier development programmes are complex to manage and implement, because they typically involve many “moving parts”, including processes and coordination for supporting public, private, national and regional participation.

Since having qualified suppliers can increase FDI, supplier development programs are a key investment facilitation measure, both from the perspective of governments and companies. Consequently, it would be very beneficial to encourage supplier development programmes as an investment facilitation measure and to include encouraging the establishment of these programmes in the IFD Agreement. Including supplier development programmes as a provision of the Agreement also ensures that developing countries and especially least-developed countries (LDCs) will receive technical assistance and capacity building for the implementation of these programmes.

## Annex 1: Invitation



### **Webinar invitation: Supplier development programmes: A key to facilitating FDI and development impact**

**31 March 2022**

Dear Colleagues,

On behalf of the International Trade Centre (ITC), the German Development Institute/ Deutsches Institut für Entwicklungspolitik (DIE), the World Association of Investment Promotion Agencies (WAIPA), and the World Economic Forum (WEF), we cordially invite you to a webinar on:

#### **Supplier development programmes: A key to facilitating FDI and development impact**

The webinar will take place on 31 March 2022, from 15:00 to 16:00 Geneva time (Central European Time), 09:00 to 10:00 Eastern Standard Time.

The webinar is being held in the framework of the Investment Facilitation for Development [project](#), jointly implemented by the ITC and DIE.

This is the 11<sup>th</sup> webinar in a series meant to assist investment promotion agencies (IPAs) and policymakers strengthen their capacity to facilitate higher FDI flows, especially investment flows that directly contribute to development.

The 11<sup>th</sup> webinar will focus on the importance of establishing supplier development programmes in order to facilitate FDI and the development impact of FDI.

The establishment of supplier development programmes is a key foreign direct investment (FDI) facilitation measure as it increases the number and capacity of qualified local enterprises that can contract with foreign affiliates and allows foreign affiliates to source locally. At the same time, local firms benefit from such programmes as their competitiveness is upgraded, and host countries benefit from them as the tangible and intangible assets that foreign affiliates bring with them are dispersed within their economies, thereby enhancing the development dimension of investment. For example, the use of local suppliers has the potential to increase local employment, upgrade skills and transfer technology, including in regard to for local small and medium-size enterprises. Such linkages also help local firms integrate into global value chains.

The webinar will focus on identifying concrete measures to create and deepen linkages between foreign investors and the local economy through the establishment of supplier development programmes. It will address the importance of linkage-ready domestic firms to facilitate the locational decision-making process of foreign investors and good practices and lessons learned regarding operational dimensions and the implementation of supplier development programmes.

The webinar will also discuss possibilities of including sustainable development aspects in supplier development programmes.

The discussions will be informed in particular by the “[Investment Facilitation for Development: A Toolkit for Policymakers](#)”.

**Please feel free to share this invitation with officials dealing with FDI, as well as representatives of the private sector who might be interested in this subject.**

The webinar will be conducted in an interactive manner and encourages questions and observations by participants.

**Participation in the webinar is free of charge. However, it is necessary to register for the event (please [click here](#)), to receive the meeting link details.**

The webinar will feature the following speakers:

**Opening remarks: Rajesh Aggarwal**, Director (oic), Division for Market Development, ITC

**Moderator: Karl P. Sauvant**, Resident Senior Fellow, Columbia University, CCSI

**Experts and practitioners:**

**Ivan Anton Nimac**, Global Lead, Investment Policy and Practice, World Bank Group – *“Facilitating FDI by creating supplier development programmes and strengthening linkages between foreign affiliates and local suppliers”*

**Thuy Nguyen**, Vietnam Industry Agency, Ministry of Industry and Trade, Vietnam – *“Practical steps for establishing supplier-development programmes: Lessons learned”*

**Markus Thill**, President, Africa, Robert Bosch – *“How linkage-ready domestic firms facilitate FDI and also benefit domestic enterprise development: a private sector view”*

**Bernardo Calzadilla-Sarmiento**, Managing Director, Directorate of Digitalization, Technology and Agri-Business, and Director, Department of Digitalization, Technology and Innovation, United Nations Industrial Development Organization (UNIDO) – *“Including sustainable development aspects in supplier development programmes”*

**Concluding remarks: Matthew Stephenson**, Head, Investment Policy and Practice, World Economic Forum

The webinar will be delivered through Zoom.

We are looking forward to welcoming you at the webinar!

Best regards,

Rajesh Aggarwal, ITC; Axel Berger, DIE; Ismail Ersahin, WAIPA; Karl P. Sauvant, Columbia University/CCSI; Matthew Stephenson, WEF

**Background material**

ITC-DIE project on [Investment Facilitation for Development](#)

Axel Berger and Karl P. Sauvant, eds., *Investment Facilitation for Development: A Toolkit for Policymakers* (Geneva: ITC, 2021), [available here](#).

**Bios:****Rajesh Aggarwal**

Rajesh Aggarwal is Officer in Charge, Director, Division for Market Development, ITC, Geneva. He is leading a programme of assisting the private sector in developing countries to be the change agent for trade policy reforms and engage in business advocacy with their governments in the design and implementation of trade policies and negotiating positions that reflect business interests. Before joining the ITC, he worked for the Indian Government and participated in the WTO Doha Round of trade negotiations. He has published papers in the area of trade negotiations, including a paper titled “Dynamics of Agriculture Negotiations in WTO” in the Journal of World Trade.

**Bernardo Calzadilla-Sarmiento**

Bernardo Calzadilla-Sarmiento is Managing Director of the Directorate of Digitalization, Technology and Agri-Business, and Director of the Department of Digitalization, Technology and Innovation at UNIDO. As Director, he leads the work on quality and standards for trade facilitation, investment for sustainable development and innovation in the context of the fourth industrial revolution. Previously, he had been Director for Technical Assistance and Training at the International Organisation for Standardisation. He holds a Master’s and a Ph.D. degree in Economics from the Vienna University of Economics and Business.

**Thuy Nguyen**

Thuy Nguyen is an official of the Vietnam Industry Agency (VIA), Ministry of Industry and Trade of Vietnam (MOIT). She has twenty years of experience working in industry and trade development. Before joining VIA, she had been a researcher of the MOIT’s research institute on industry and trade for eight years. She specialises in international trade, industrial policy analysis and global value chain analysis. She holds a BA in Japanese from Hanoi University, a BA in Economic Management from the National Economic University of Vietnam and a MPP from the National Graduate Institute for Policy Studies in Tokyo, Japan.

**Ivan Anton Nimac**

Ivan Anton Nimac has been the World Bank Group’s (WBG) Global Lead for Investment Policy and Promotion since July 2018. His team supports a portfolio of activities, including government advisory, development lending and an array of learning and knowledge activities to help countries attract and retain FDI. Before joining the WBG in 2006, he held positions in law, diplomacy and international development with the Australian and Croatian governments and the United Nations. He holds degrees in economics, law and international relations.

**Karl P. Sauvant**

Karl P. Sauvant introduced the idea of an International Support Program for Sustainable Investment Facilitation in the E15 Task Force on Investment Policy in 2015. From there, the proposal was taken forward in the WTO. He has written extensively on this subject (see <https://ssrn.com/author=2461782>), participated in various events relating to it and currently assists the ITC and DIE on a project on Investment Facilitation for Development. He retired in 2005 as Director of UNCTAD’s Investment Division and established, in 2006, what is now the Columbia Center on Sustainable Investment (CCSI). He stepped down as the Center’s Executive Director in 2012, to focus his work, as a CCSI Resident Senior Fellow, on teaching, research and writing.

**Matthew Stephenson**

Matthew Stephenson is Head of Investment Policy and Practice at the World Economic Forum, where he manages the Global Investment Policy and Practice initiative. Previously, he worked at the IFC, where he led the workstream on outward FDI. He has also worked at the OECD on Africa and investment and served as a diplomat for the U.S. Department of State, leading the economic team on Afghanistan and managing economic programs in the Middle East. He is a member of the T20 Task Force on Trade and Investment. He has a PhD from the Graduate Institute in Geneva, a master's from the Harvard Kennedy School and a bachelor's from Oxford University.

**Markus Thill**

Markus Thill is President of Africa for Robert Bosch since 2014, reporting directly to Bosch Group management. Prior to co-founding Bosch's global venture arm as managing director in 2007, he worked as Vice President of Bosch's global corporate strategy department. Before joining Bosch, he was a senior manager in leading strategy consulting firms, heading and implementing projects on strategic and operational issues as well as M&As around the globe. He holds university degrees in mathematics and physics, including a doctorate ("summa cum laude") from Université de Paris (France). He is fluent in English, German and French, and has a good working knowledge of several other languages.