



German
Economic
Team

NO 05 | 2023

POLICY BRIEFING
KOSOVO

Designing linkage promotion programmes – a review of international experience

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1. Introduction

To assist Kosovo's Ministry of Industry, Trade and Entrepreneurship in designing an effective linkage promotion programme, this policy briefing reviews relevant international experience identifying key success factors and lessons learnt

- » The integration into international value chains plays a critical role for strengthening the competitiveness and innovation capabilities of local firms
- » Promoting linkages between investors and local SMEs has proven an effective alternative avenue to support internationalisation processes and innovation transfer following a demand-oriented approach
- » At the same time, linkages with local suppliers help to embed investors in the local economy and maximise the impact of investment projects
- » Against this background, Kosovo's Ministry of Industry, Trade and Entrepreneurship is interested in introducing a linkage promotion programme
- » To support the planning processes, this briefing reviews main components and design principles of linkage promotion programmes at the international level reflecting recent trends and lessons learnt
- » Practical examples are used to illustrate key features and success factors

2. International experience – overview

Linkage promotion programmes vary with respect to the scope of facilitation and capacity building measures and their focus – e.g. in terms of target groups

- » The figure on the right provides an overview of typical components of linkage promotion programmes, which will be explained in further detail on the subsequent pages
- » The scope and focus of linkage promotion programmes varies depending on available resources, needs and structural characteristics of the local investor and supplier landscape
- » Differences relate in particular to the role of:
 - Facilitating linkages vs. upgrading capacities of SMEs in line with requirements of investors
 - Specific target groups (e.g. industries, companies in selected zones and parks) vs. a more broad-based approach
 - Digital tools vs. face-to-face interaction

Typical components of linkage promotion programmes



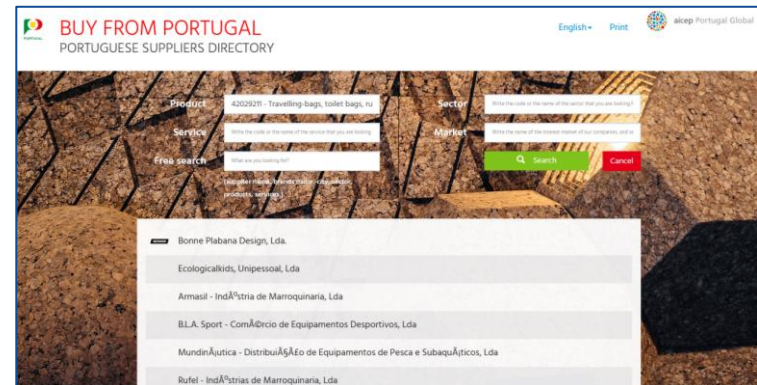
Source: Own representation

2. International experience – supplier directories

In many cases, online supplier directories form the first component of linkage promotion programmes by offering a platform to local SMEs to present themselves and by allowing investors to search for suppliers according to their needs

- » Local suppliers can register and fill in detailed profiles comprising:
 - Company description incl. size, markets, brands and contact information
 - Products and services incl. specifications
 - Technologies, processes and certificates
- » Investors are offered a range of search and filter options to find suitable suppliers
- » In addition, in some cases users can publish specific cooperation or sourcing requests
- » Different language options, easy access as well as a user-friendly and self-explanatory design form good practice elements

Practical examples of supplier directories



Sources: Invest North Macedonia, AICEP Portugal Global

2. International experience – matchmaking events

Matchmaking events constitute another common programme component facilitating direct interactions/meetings between investors and suppliers

- » Short (15 min) pre-scheduled 1:1 meetings between investors and suppliers are at the core of matchmaking events
- » Events usually focus on a specific industry or topic to ensure enough interest in meetings
- » They can be organised as a stand-alone format or as side event at a conference or trade fair
- » Some countries such as the Czech Republic have successfully used reverse pitching formats with presentations by the investors
- » During the pandemic, virtual formats including 1:1 meetings were frequently used
- » Many agencies provide training and mentoring support to prepare the SMEs for the meetings

Matchmaking event in Moldova



OECD recommendations for a linkage promotion programme in Moldova

- Matchmaking events with at least 5 investors / retailers and 16-20 suppliers
- Suppliers completing profiles before the event with assistance by business coaches
- Briefing meetings and further capacity building measures for the suppliers to prepare them for the matchmaking event
- 1:1 meetings of max. 15 min. (introduction, brief pitch, discussion of collaboration opportunities) at matchmaking event
- Providing complementary networking opportunities, e.g. at the end of the event

Sources: OECD, ODA Moldova

2. Int. experience – tailored facilitation services

Recognising a need for a more individual and systematic approach, agencies increasingly introduce tailored facilitation services to promote linkages

- » Individual interviews with investors form the starting point to clearly understand the sourcing potential and needs
- » Based on the identified needs, the agencies identify and short-list potential suppliers
- » Suitable suppliers are selected together with the investor
- » The agencies organise individual meetings between the investor and the selected suppliers
- » In addition, the service portfolio typically comprises support for SMEs in preparing the meetings as well as follow-up activities

Exemplary interview guide to identify sourcing needs and potentials

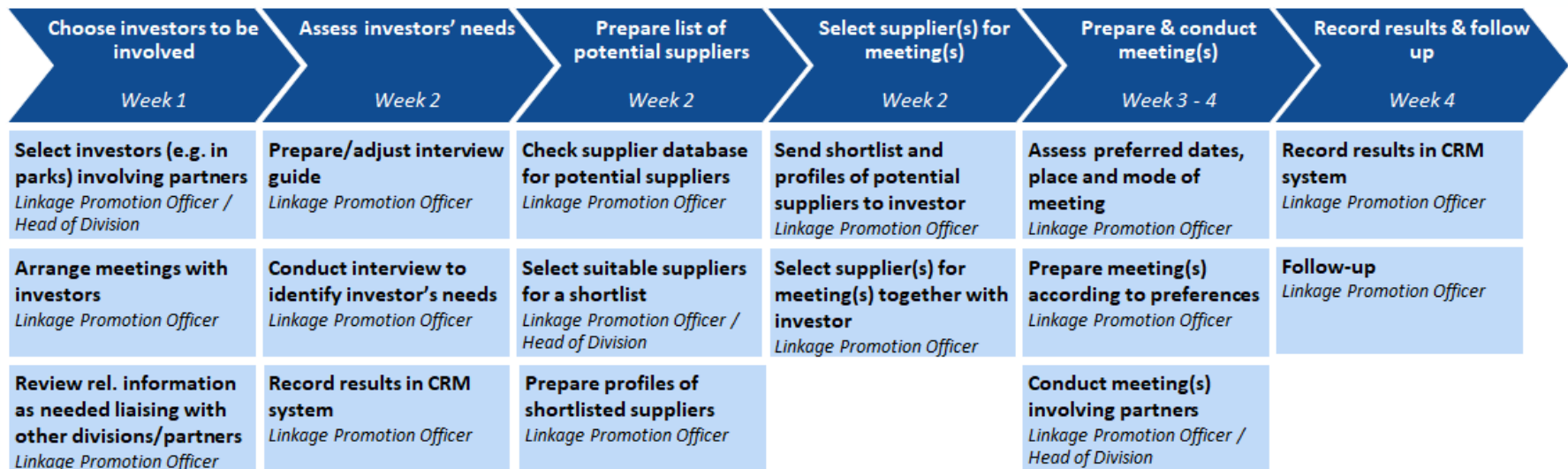
- (1) Welcome and overview of topics to be covered in the meeting**
- (2) Current sourcing pattern of the company**
 - What material inputs / services do you import / source locally?
 - Which specific material inputs / services currently being imported would your company prefer to source locally or increase its share of local sourcing?
- (3) Finding local suppliers**
 - Is increasing local sourcing considered a corporate priority for your HQ and/or local plant management? (Why?)
 - Which factors have been barriers for increasing sourcing from local companies?
 - What are the most important minimum requirements that local companies have to meet?
 - Have you provided or planned to provide any support to local firms?
 - What do you believe are the 5 most critical development needs of local firms / suppliers?
- (4) Next steps**

Source: Own representation

2. Int. experience – tailored facilitation services

To ensure a systematic approach, agencies provide tailored facilitation services based on clearly defined processes laying out the relevant activities, timelines as well as roles and responsibilities – as shown in the example below:

Exemplary process definition for tailored facilitation services to promote linkages:



Source: Own representation

2. Int. experience – supplier development schemes

While the previous components focus quite strongly on facilitating contacts, supplier development schemes are geared towards upgrading the capacities of local SMEs according to the needs of investors and global markets

- » Based on thorough business reviews and company-specific action plans, different capacity building and support measures are combined, including:
 - Group training sessions
 - Individual coaching and mentoring support
 - Networking formats
- » The support covers both technical aspects (e.g. quality standards) and management issues (e.g. financial planning)
- » Usually, local suppliers are assisted over a period of one year
- » Most schemes focus on specific industries



Source: World Bank Group

2. Int. experience – supplier development schemes

Supplier development schemes are considered the most complex component of linkage promotion programmes. Close cooperation with investors and international partners/experts forms a common feature of these schemes

- » Investors are closely involved in both the design and implementation phase:
 - Participating in the selection of suppliers
 - Providing mentoring support
 - Acting as members of steering committees
- » Most programmes in transition economies have received technical and financial assistance from international partners:
 - As shown in the example from the Czech Republic, it is common practice that in a pilot-phase, the reviews and mentoring/coaching sessions are carried out by teams consisting of international and national experts to ensure knowledge transfer
 - After a successful pilot-phase, the schemes are fully integrated into the agencies' structures and are scaled up and rolled out with internal resources
 - Such an approach is also envisaged in the Albanian Business and Investment Development Strategy and Action Plan 2021-2027

3. Lessons learnt

As showcased by the review, the scope and focus of linkage promotion programmes varies considerably at the international level. Although different contexts call for different set-ups and priorities, some general conditions can be identified that should be considered when designing a new programme

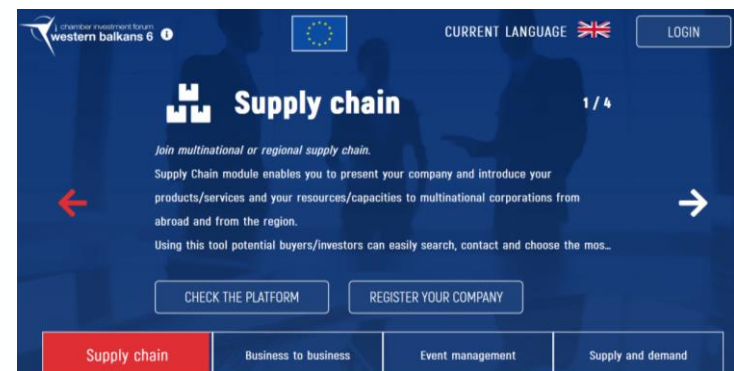
- » The scope and focus of the programme's components should reflect the needs of both the investor and supplier landscape in the country
 - A thorough analysis of the structural characteristics of the investor and supplier landscape (incl. needs and capacities) should form the starting point
 - The results are of particular relevance for decisions on integrating components and measures focusing on capacity building (e.g. supplier development schemes)
- » A targeted approach has proven helpful in addressing specific needs and generating synergies throughout the different stages of a programme
 - As showcased by the review of international experience, most programmes or components such as supplier development schemes and matchmaking events focus on specific target groups (e.g. suppliers in selected industries, zones or parks)
 - This way, the different services (e.g. trainings) and formats (e.g. supplier days) can be customised and sufficient interest in interactions can be ensured

3. Lessons learnt

Some general conditions can be identified that should be considered when designing a linkage promotion programme (cont.)

- » A linkage promotion programme should not be designed nor implemented in isolation - but following an integrated and collaborative approach
 - Synergies with related policy tools (e.g. aftercare, industrial parks) should be utilised
 - Efficient cross-organisational coordination (e.g. with chambers, associations and other agencies) constitutes another key success factor
 - Investors should be closely involved throughout all stages of the programme
- » In this context, cooperation opportunities at the regional level should also be taken into consideration
 - For instance, within the project “EU support to WB6 CIF” an online market access and intelligence platform has been set up
 - The supply chain module aims to connect WB6 companies with investors looking for new suppliers from the region

WB6 market access database



Source: Western Balkans 6 Chamber Investment Forum

3. Lessons learnt

Some general conditions can be identified that should be considered when designing a linkage promotion programme (cont.)

- » A linkage promotion programme requires adequate capacities and resources
 - The exemplary job profile below shows the main responsibilities and requirements for a linkage promotion officer
 - A supplier development scheme would require an additional dedicated position

Exemplary job profile for a linkage promotion officer:

Short description	Responsibilities	Requirements
<p>The linkage promotion officer is tasked with the facilitation of linkages between investors and local suppliers. This includes the assessment of investors needs as well as identification and support of local suppliers that may meet those needs. In addition to providing tailored facilitation and capacity building services, the officer is in charge of organising target-group-specific matchmaking events. This position is part of the Division SME and Startup Support Services. It is required to cooperate closely with the other officers in the Division as well as further agencies and institutions providing export- and investment-related services.</p>	<ul style="list-style-type: none"> • Identifying potential suppliers and facilitating meetings with investors: <ul style="list-style-type: none"> – Building and maintaining a web-based supplier directory – Developing a working relationship with (potential) suppliers in target sectors and understanding of their capacities – Assessing the sourcing potential and needs of investors and facilitating meetings and linkages with local suppliers • Designing and implementing capacity building measures to strengthen the competitiveness of local suppliers • Organising and participating in matchmaking events • Contributing to further promotional activities, e.g. creating content for on- and offline use • Establishing and maintaining a network of service partners (e.g. other agencies, chambers, associations) • Implementing national programmes and international projects in the area of linkage promotion 	<ul style="list-style-type: none"> • Fluency in English • Degree in business, engineering or related fields • Deep knowledge and understanding of the local economy • Great networking and communication competencies • Experience in working in an international setting

Source: Own representation

3. Lessons learnt

Some general conditions can be identified that should be considered when designing a linkage promotion programme (cont.)

- » A phased approach helps to gather valuable experience and build up capacities before rolling out larger-scale measures
 - It does not seem promising to roll out full-scale programmes including complex components such as supplier development schemes at once
 - Testing the approach with less complex components such as matchmaking events or with a pilot-group of companies has proven helpful in other countries
- » An effective monitoring system allows to track the implementation and results achieved based on defined KPIs (see exemplary indicators on the right) and to make evidence-based decisions on refinements

Exemplary Key Performance Indicators (KPIs) for linkage promotion programmes

General	No. SMEs benefitting from new / additional contracts with investors
	Volume of new / additional contracts facilitated
	No. SMEs reporting a growth in exports
	Volume of additional exports reported by SMEs
Supplier directories	No. registered SMEs / investors
	No. sourcing and cooperation requests submitted
Matchmaking events	No. SMEs / investors participating in events
	No. meetings between SMEs and investors at events
Tailored facilitation services	No. SMEs / investors using services
	No. facilitated meetings between SMEs and investors
Supplier development scheme	No. applications from SMEs
	No. SMEs participating in 1. phase
	No. SMEs participating in 2. phase
	No. of investors participating

Source: Own research

About the German Economic Team

Financed by the Federal Ministry for Economic Affairs and Climate Action, the German Economic Team (GET) advises the governments of Ukraine, Belarus*, Moldova, Kosovo, Armenia, Georgia and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

**Advisory activities in Belarus are currently suspended.*

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